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Attorney for Plaintiffs Ernest Lahti, Linda Lahti and Applied Reserve Analysis, LLC

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

ERNEST LAHTI, LINDA)	Case No: CV-08-2314 BZ
LAHTI AND APPLIED)	
RESERVE ANALYSIS, LLC, a)	DECLARATION OF LINDA LAHTI IN
California corporation,)	SUPPORT OF TEMPORARY RESTRAINING
)	ORDER AND ORDER TO SHOW CAUSE FOR
Plaintiffs,)	PRELIMINARY INJUNCTION
)	
v.)	
)	
DAN BLOOMQUIST,)	
REBECCA BLOOMQUIST,)	
HIGHLANDS ELECTRONICS)	
LLC, an Arizona corporation, and)	
DOES 1 through 50 inclusive,)	
)	
Defendants.)	
)	
)	
)	
)	
)	

1 I, Linda Lahti, declare:

2 1. I have spent the last sixteen years (16) working with my husband Ernest Lahti
3 (“Ernie”) developing our reserve analysis business in Northern California. We have spent the last
4 seven (7) years developing and beta testing the Reserve Analyst software (“Software”) for
5 Rebecca Bloomquist (“Rebecca”) and Dan Bloomquist (“Dan”) (collectively, the “Bloomquists”) so that the Software, and similarly our business, would produce the highest quality reserve
6 reports possible. We have worked extremely hard to develop the Software and our reserve
7 analysis business into valuable commodities. I am now more than sixty (60) years old and in
8 declining health is my husband, Ernie, and we have just discovered that we may lose everything
9 we have worked so hard to develop.
10

11 2. Ernie and I have been looking forward to selling the business and retiring within the
12 next year. However, we now stand to lose everything we have worked so hard to create; our
13 business, the Software, our clientele list and the goodwill of our company, because the
14 Bloomquists seek to terminate the licensing agreement for the Software that we have helped
15 them to develop. If the Bloomquists are allowed to terminate this agreement, our business will be
16 ruined, we will no longer be able to perform reserve studies, we will lose our clients and we will
17 no longer be able to sell our business.

18 3. The history and effect of the subject of this suit is described in fuller detail below.

19 **A. Background**

20 4. As stated above, I am over sixty years old; my date of birth is February 23, 1947.
21 Ernie and I are co-owners of Applied Reserve Analysis, LLC, a California corporation which

1 performs reserve studies and prepares reserve reports for Homeowners' Associations, Time
 2 Shares and other entities requiring reserve reports. A sample of a reserve report is attached as
 3 Exhibit A.

4 5. Ernie and I began performing reserve studies in 1992, preparing reserve reports for
 5 Homeowners' Associations and other entities requiring reserve reports. We originally worked
 6 with DOS-based software that was inefficient and inadequate for our needs. Due to our
 7 experience in reserve analysis and his experience with computer programming, Ernie developed
 8 an idea for a more efficient and more inclusive software for reserve analysis.

9 6. Ernie's idea for the Software included: Windows-based software to perform reserve
 10 analysis and generate reports that included charts, spreadsheet and pictures, the format of the
 11 reserve reports generated, warnings to be used, and calculations to be performed, including but
 12 not limited to cost and useful life basis calculations. He provided his idea to Dan in 2001 for
 13 development, under the agreement that we would form a joint venture to develop and market the
 14 Software. Ernie and I and our ARA employees have beta tested the Software for the Bloomquists
 15 since a working version was first created in or about 2002. We have never received any
 16 compensation from the Bloomquists for Ernie's idea or our efforts to beta test the Software.
 17 Now, seven years later, the Bloomquists are trying to reap all the benefits of our experience in
 18 reserve analysis and our work beta testing the Software for themselves by terminating our
 19 bargained for five-year licensing agreement and retaining all rights to the Software.

20 **B. Relationship with the Bloomquists and Development of the Software**

21 7. Ernie and I met Rebecca in or about 1994, because Ernie's son worked for her at her

1 small appliance store in Clearlake, CA, where we live. Rebecca called us one day because
2 Ernie's son did not go to work and she was concerned for him. Ernie's son is addicted to drugs
3 and on that day he simply disappeared and we are not certain what happened to him or where he
4 went. During this difficult time we developed a close relationship with Rebecca and especially
5 Ernie who treated her as his own daughter. Rebecca referred to Ernie as "Dad" and signed all of
6 her correspondence to him "Love, Rebecca." Rebecca led us to believe that she cared for Ernie
7 and I as family, and as a result we trusted her more than we would have otherwise.

8 8. Rebecca met Dan in or about 1995 and thereafter they moved together to Arizona. I
9 maintained a close relationship with Rebecca even after she moved to Arizona, including
10 attending her wedding in 2000. Sometime after Rebecca and Dan met, Ernie mentioned his idea
11 for the Software to Rebecca and she said the Dan did software programming. She and Dan
12 initially offered to program the Software for free.

13 9. Rebecca and Dan continued to push Ernie to tell them his idea for the Software. We
14 initially did not believe that they would follow through with the development, but after many
15 years of persistence Ernie told them the idea on July 17, 2001. Dan then began to program the
16 Software but soon became frustrated with the process and was ready to give up. Ernie flew out to
17 Arizona and stayed with the Bloomquists for two days to get Dan on the right track developing
18 the idea and he continued to work with them for almost a year to prepare a working version of
19 the Software.

20 10. During the year that Ernie revealed his idea and worked with Dan to develop the
21 Software, he took a trip with Rebecca to Finland to visit his family. I was not able to take the

1 trip, because I had to work and manage the business. Because we believed that Rebecca and
2 Ernie had a father/daughter relationship, she joined Ernie for this trip.

3 11. Rebecca and Dan continued to use Ernie and I and our ARA employees to beta test
4 the Software from 2002 to 2008. Because we saw Rebecca and Dan as family, we provided
5 significant assistance to the Bloomquists to develop and beta test the Software to produce
6 quality, detailed and all inclusive reports with proper calculations tailored to reserve analysis.
7 Just in the last year alone I spent approximately fifty (50) hours beta testing the Software for the
8 Bloomquists. Lori Kelleher, our ARA employee has spent an additional 30-40 hours beta testing
9 the Software in the last year.

10 **C. Negotiated Terms of the License Agreement**

11 12. Initially when Ernie disclosed his idea for the Software to Dan in July, 2001, we had
12 agreed that we would enter into a joint venture with the Bloomquists to design and market the
13 Software. Under this initial agreement, Dan would develop the Software, Rebecca would sell the
14 Software, and Ernie and I would train users of the Software.

15 13. Within a year after Ernie disclosed the idea to Dan and helped him create, program
16 and develop a working sample of the Software, it was clear that the Bloomquists saw us only as
17 the Software users and that they had no interest in forming a joint venture with us. Therefore, in
18 order to establish our rights in the Software, in or about August, 2002, Ernie approached the
19 Bloomquists for a licensing agreement that would provide ARA with exclusive use of the
20 Software in Northern California.

21 14. Rebecca and Dan clearly did not want us to have an exclusive license and instead

1 were looking to capitalize on our clients and competitors by marketing the Software directly to
 2 them. Rebecca was very insistent that they should have access to ARA's Northern California
 3 clients and competitors as well as potential clients in the area. She especially pushed to market
 4 the Software to Homeowner Associations, and even suggested that such marketing would
 5 increase our business. *See* Exhibit B.

6 15. We were adamantly opposed to such marketing and negotiated an initial licensing
 7 agreement for 2004-2005 ("Initial Agreement") to provide for our exclusive use of the Software
 8 in Northern California. *See* Exhibit C, which is a draft of the Initial Agreement. The Initial
 9 Agreement also included a clause that allowed the Bloomquists, but not us, to terminate the
 10 agreement for cause with 30 days notice. The Initial Agreement also included a clause whereby
 11 all rights in the Software were retained by the Bloomquists. The Bloomquists insisted that if we
 12 wanted to use the Software that we had to abide by the Initial Agreement. Therefore in order not
 13 to lose the use of the Software that was Ernie's idea originally and which we had worked so hard
 14 to develop, we consented to the Initial Agreement.

15 16. Because the Initial Agreement was only for a one-year period, between the years
 16 2005 and 2006, we negotiated with the Bloomquists for a new licensing agreement ("Licensing
 17 Agreement"). We met stiff opposition from the Bloomquists who initially refused to even speak
 18 to us regarding a new licensing agreement. We then brought in Don Thomas to assist us with our
 19 negotiations. We were afraid we were going to lose our rights to the Software that was Ernie's
 20 idea and which would mean that we would lose our clients and our business.

21 17. We bargained for a transferable five-year license for exclusive use of the Software in

1 Northern California so that Ernie and I could sell our business due to our advanced age and
2 especially because of Ernie's continually declining health. Eventually, with the help of Don
3 Thomas, our business consultant, we agreed with the Bloomquists as to the following terms:

4 (a) We would no longer be used to beta test the Software;

5 (b) Our license would be for a five (5) year term and would automatically renew for
6 an additional five (5) years unless sixty (60) days prior notice was provided;

7 (c) We would have exclusive use of the Software in Northern California;

8 (d) Our exclusive license would be transferable to any purchaser of our business; and

9 (e) Any errors that we encountered would be promptly remedied.

10 18. In order to receive the five (5) year term, we agreed to a periodic increase in the
11 license price to account for inflation and assigned our development rights to the Bloomquists.

12 19. Additionally, because we were concerned that we were continuing to beta test the
13 Software and the Software was replete with errors, we requested that a clause allowing
14 Termination for Cause is included. The Bloomquists insisted that they also be able to Terminate
15 for Cause. I drafted a licensing agreement with the terms that we understood should be included
16 and emailed it to the Bloomquists on January 30, 2006. *See* Exhibit D. Such draft was rejected by
17 the Bloomquists and on February 28, 2006 they sent their draft of the Licensing Agreement to us,
18 which we signed. We understood that the Licensing Agreement was a five-year agreement for a
19 transferable exclusive license to use the Software in Northern California, which allowed for
20 Termination for Cause.

21 20. I did not have knowledge of the terms of Termination Provision, did not negotiate

1 such terms and did not consent to such terms. Mr. Thomas cautioned us to seek the advice of an
 2 attorney before signing the agreement. However, we were unable to locate an attorney in Lake
 3 County given the time provided by the Bloomquists for the execution of a Licensing Agreement.
 4 The Bloomquists insisted that we sign a licensing agreement by February 28, 2006 and the final
 5 version of the Licensing Agreement was provided to us on February 28, 2006. *See* Exhibit E. As
 6 a result, we relied upon Mr. Thomas' review of the Licensing Agreement.

7 21. The title of the Licensing Agreement is "Reserve Analyst Professional Licensing
 8 Agreement 5 Year Automatic Renew" and each page of the Licensing Agreement is labeled at
 9 the bottom "5 Year Contract - Automatic Renewal." *See* Exhibit F.

10 22. Unknown to Ernie and I the Bloomquists included the following additional terms in
 11 the Licensing Agreement:

12 (a) The Licensing Agreement can be terminated by either party without cause with a
 13 sixty (60) days prior written notice after the second year of the Licensing
 14 Agreement ("Termination Provision"); and

15 (b) The statute of limitations is shortened.

16 **D. Prejudice from Termination of Licensing Agreement**

17 23. On February 28, 2008, ARA paid the licensing fee under the Licensing Agreement
 18 for the 2008-2009 license year. On March 12, 2008, the Bloomquists sent Ernie, ARA and I a
 19 60-day notice of termination of the Licensing Agreement ("Termination Notice"), along with a
 20 new contract ("New Contract"). *See* Exhibit G. The Termination Notice was based upon the
 21 Termination Provision which was included without the knowledge of Ernie or I or Don Thomas

1 as it provided for termination without cause and we had negotiated for a clause providing for
2 Termination for Cause. The New Contract (a) does not provide for our exclusive use of the
3 Software in Northern California, (b) is only for a one-year term and (c) does not allow us to
4 transfer the license.

5 24. Because of the Termination Notice we will lose our bargained five-year Licensing
6 Agreement, which includes our right to use Software, our exclusive area of use of the Software,
7 and the ability to sell our business. We will also lose our development rights in this Software
8 because we assigned those rights to the Bloomquists in exchange for the five-year Licensing
9 Agreement.

10 **(1) Destruction of Our Business**

11 25. If we do not have a license for the Software we will not be able to perform our
12 reserve analysis studies and our business will be destroyed. The reports we prepare cannot be
13 done without the Software because all data entries would have to be reentered into a new
14 software database, we have been unable to locate any comparable software and it would take six
15 to eight months to develop such software.

16 26. Ernie and I and our ARA employees have already spent seven years working with the
17 Bloomquists to create, develop and beta test Ernie's idea for the Software. In fact I have spent
18 approximately fifty (50) hours in the last year alone to beta test the Software for the
19 Bloomquists. Similarly, Lori Kelleher, an employee of ARA, has spent thirty (30) to forty (40)
20 hours in the last year beta testing the Software.

21 27. If we must switch to new Software, all data entries would have to be reentered by

1 hand as the data base is not transferable. One of our largest clients, which is a time-share resort,
2 has hundred of thousands of data entries, a typical client has tens of thousands of data entries,
3 and our smaller clients have thousands of data entries. None of our clients has less than 1000
4 data entries.

5 28. The reserve reports created for our largest client are currently 300 pages long and
6 growing, and take one month full time with the Software to prepare. Other reports we prepare
7 take three to twelve hours to update using the Software. *See* Exhibit A hereto for an example of a
8 reserve report.

9 29. A software consultant, Wayne Jerves, has been attempting to find replacement
10 software for us but he has been unable to locate any comparable software. It would take six to
11 eight months to develop comparable software for use in our business. Most of our competitors
12 have their own proprietary software, which is not available on the market for obvious reasons.

13 **(2) Loss of Potential Purchasers**

14 30. In 2007 we received an offer of \$500,000 to purchase our business. Thinking that we
15 had a five-year contract and sufficient time to receive a higher bid, we turned down the offer.

16 31. Now we have new interest from a new prospective purchaser, Associa. We do not yet
17 know the details of this possible purchase.

18 32. During our negotiations with the Bloomquists, we made it clear that we needed a
19 transferable exclusive license for the Software for five years. The Bloomquists knew that we
20 requested these terms because we wanted to sell our business with the Software license due to
21 our advanced age and poor health.

1 **(2) Loss of Customers**

2 33. Now that the Bloomquists threaten to terminate the Licensing Agreement we believe
3 that they will immediately begin to market the Software to our clients and competitors. We
4 negotiated and fought for our right to exclusive use since we first contemplated a licensing
5 agreement for the Software. If we lose the right to exclusive use of the Software in Northern
6 California we will lose our customers and our business will be irreparably harmed.

7 34. We stand to lose our customers because our contracts are renewed each year due to
8 change in law and the need to redraft agreements to conform to new disclosures. Therefore,
9 although our customers are repeat customers, we only have one-year contracts with them. We
10 will lose our customers because (1) they will have access to our Software and can perform the
11 analysis themselves, (2) our competitors will have access to our Software and be able to perform
12 the quality of work that our clients desire, which took us seven (7) years to develop and (3) we
13 will no longer have access to the Software, we will have to begin all over again to develop a
14 comparable product and to re-enter hundreds of thousands of data entries.

15 35. In fact, on February 20, 2008, we received notice from one of our clients, Brookvale,
16 a Homeowner Association in Santa Cruz, California, informing us that it will no longer require
17 ARA's services because it will be purchasing the Software directly from the Bloomquists and
18 performing their own analysis. *See* Exhibit H hereto.

19 36. Rebecca previously indicated her intention of marketing to HOAs and stated that she
20 somehow believed that if they marketed to HOAs we would gain business, which is clearly
21 untrue and manipulative. Obviously, the Bloomquists' marketing to HOAs in Northern

1 California, and especially our clients, will be devastating for our business.

2 **I. Beta Testing and Failure to Remedy Errors.**

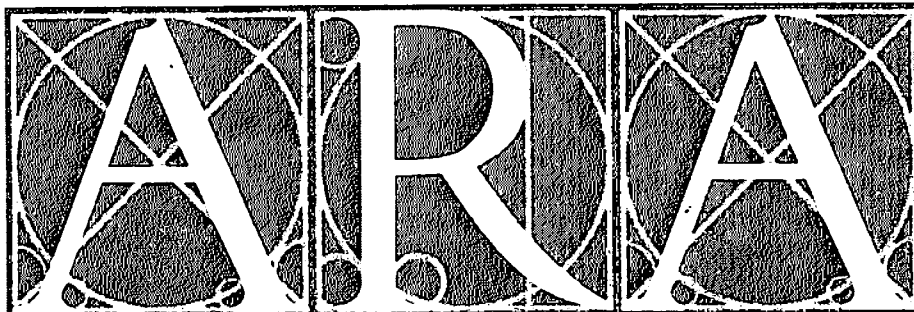
3 37. We have performed beta testing of the Software since a working version was created
4 in or about 2002. The Software errors which often caused unexpected delays and errors in our
5 reports to clients who were unhappy with the problems. We even lost some clients due to the
6 Software problems. We continue to experience many errors in the Software, despite the
7 Licensing Agreement provision to the contrary. In fact, the Bloomquists have refused to timely
8 remedy many of the problems and errors that we encounter using the Software.

9 38. In locating these errors and troubleshooting the Software, we continue to perform
10 beta testing for the Bloomquists, despite the Licensing Agreement provision to the contrary. The
11 Bloomquists continued to use Ernie and I and ARA to beta test the Software from 2006-2008. I
12 have spent approximately fifty (50) hours, and our employee, Ms. Kelleher, has spent thirty (30)
13 to forty (40) hours in the last year to beta test the Software for the Bloomquists. We have
14 received no compensation for my efforts.

15 39. Because the Bloomquists continually violated the Licensing Agreement, we made
16 demand for compensation in February, 2008 for our time spent beta testing the Software. The
17 Bloomquists refused to provide any such compensation to us and demanded that we pay the
18 licensing fee for 2008-2009 plus an increase in the licensing fee for 2007-2008 according to the
19 Consumer Price Index, as provided in the Licensing Agreement. We made such payment to
20 retain our exclusive Software license on February 28, 2008. Not even two weeks later we
21 received the Termination Notice on March 12, 2008.

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Exhibit A



Sample Reserve Study
Your City, Your State
Account 10456 -- Version 10.0
September 10, 2007

Applied Reserve Analysis, LLC

4040 Civic Center Drive, Suite 200
San Rafael, California 94903

Phone: 800 500-8505

Fax: 800 500-7305

Prepared By

Quality Check By

TABLE OF CONTENTS

Sample Reserve Study

PART I • INFORMATION ABOUT YOUR RESERVE STUDY

Important Information	1-1
Introduction	1-2
Funding Options	1-2
Types of Reserve Studies	1-3
Developing a Component List	1-3
Operational Expenses	1-4
Reserve Expenses	1-4
Funding Methods	1-5
Funding Strategies	1-6
Distribution of Reserves	1-7
User's Guide to Your Reserve Study	1-9
Definitions	1-9
Your Reserve Study is a Multi-Purpose Tool	1-13

PART II • RESERVE STUDY

Current Assessment Funding Model Summary	2-1
Current Assessment Funding Model Projection	2-2
Threshold Funding Model Summary	2-3
Threshold Funding Model Projection	2-4
Component Funding Model Summary	2-5
Component Funding Model Projection	2-6
Component Funding Model Assessment & Category Summary	2-7
Distribution of Accumulated Reserves	2-10
Annual Expenditure Detail	2-12
Detail Report by Category	2-17
Annual Asset Expenditure Charts	2-48
Funding Model Reserve Ending Balance Comparison Chart	2-49
Funding Model Comparison By Percent Funded Chart	2-50
Funding Model Annual Assessment Comparison Chart	2-51
Category Detail Index	2-52

PART III • RESERVE STUDY

TABLE OF CONTENTS
Sample Reserve Study

Part III • Summary of Civil Codes for Common Interest Developments

Legal Issues Affecting Community Associations	3-1
Governing Boards of Directors	3-2
Exclusive Use Common Area	3-2
Responsibility for Maintenance	3-3
Financial and Insurance Documents	3-4
Operating and Reserve Accounts	3-6
Regular and Special Assessments	3-8
Excessive Assessments	3-9
Documents to be Provided to Prospective Purchaser	3-10

Sample Reserve Study
ARA-LLC • Current Assessment Funding Model Summary

Report Parameters	
Report Date	September 10, 2007
Account Number	10456
Version	10.0
Budget Year Beginning	January 01, 2008
Budget Year Ending	December 31, 2008
Total Units	55
Phase Development	3 of 3
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	3.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2008 Beginning Balance	\$105,000.00

For budgeting purposes, unless otherwise indicated, we have used January 1990 to begin aging the original components in this reserve study.

This 55 unit condominium is located at the intersection of 1st Street and Main Street, Your Town, Your State, USA.

The last Applied Reserve Analysis, LLC field inspection was completed on June 1, 2008.

AFM Model Summary of Calculations	
Required Monthly Contribution	\$1,541.66
<i>\$28.03 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$165.94</u>
Total Monthly Allocation to Reserves	\$1,707.61
<i>\$31.04 per unit monthly</i>	

Sample Reserve Study
ARA-LLC • Current Assessment Funding Model Projection

Report Date September 10, 2007

Beginning Fiscal Year January 01, 2008

Account Number 10456

Version Number 10.0

Beginning Balance: \$105,000

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Reserves	Percent Funded
2008	306,954	18,500	1,991	21,072	104,420	215,213	48%
2009	316,162	19,055	2,367	3,080	122,762	242,879	50%
2010	325,647	19,627	2,490	15,907	128,972	258,527	49%
2011	335,417	20,215	2,728	11,205	140,710	280,389	50%
2012	345,479	20,822		191,076	-29,543	113,346	-26%
2013	355,843	21,447		3,735	-11,832	140,859	-8%
2014	366,519	22,090		4,250	6,008	169,494	3%
2015	377,514	22,753		48,224	-19,463	153,202	-12%
2016	388,840	23,435		18,748	-14,776	168,587	-8%
2017	400,505	24,138		23,635	-14,273	180,169	-7%
2018	412,520	24,862		34,817	-24,227	181,184	-13%
2019	424,896	25,608			1,380	220,143	0%
2020	437,643	26,377	88	11,450	16,395	249,129	6%
2021	450,772	27,168	599	2,790	41,372	289,208	14%
2022	464,295	27,983		74,764	-5,408	255,199	-2%
2023	478,224	28,822		18,036	5,378	281,452	1%
2024	492,571	29,687		24,389	10,676	302,884	3%
2025	507,348	30,578	576		41,830	352,000	11%
2026	522,568	31,495		62,325	11,000	337,668	3%
2027	538,245	32,440	242	17,114	26,568	372,109	7%
2028	554,393	33,413	822	5,819	54,984	420,839	13%
2029	571,024	34,415	15	72,854	16,561	401,226	4%
2030	588,155	35,448	297	21,709	30,596	436,636	7%
2031	605,800	36,511	987	3,750	64,345	493,553	13%
2032	623,974	37,607		329,198	-227,246	208,344	-109%
2033	642,693	38,735		6,746	-195,257	258,144	-75%
2034	661,974	39,897		78,204	-233,564	235,151	-99%
2035	681,833	41,094		18,558	-211,028	276,312	-76%
2036	702,288	42,327		36,152	-204,854	301,657	-67%
2037	723,356	43,596		22,999	-184,257	343,378	-53%

Sample Reserve Study
ARA-LLC • Threshold Funding Model Summary

Report Parameters	
Report Date	September 10, 2007
Account Number	10456
Version	10.0
Budget Year Beginning	January 01, 2008
Budget Year Ending	December 31, 2008
Total Units	55
Phase Development	3 of 3
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	3.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2008 Beginning Balance	\$105,000.00

For budgeting purposes, unless otherwise indicated, we have used January 1990 to begin aging the original components in this reserve study.

This 55 unit condominium is located at the intersection of 1st Street and Main Street, Your Town, Your State, USA.

The last Applied Reserve Analysis, LLC field inspection was completed on June 1, 2008.

TFM Model Summary of Calculations	
Required Monthly Contribution	\$2,503.29
<i>\$45.51 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$176.95</u>
Total Monthly Allocation to Reserves	\$2,680.25
<i>\$48.73 per unit monthly</i>	

Sample Reserve Study
ARA-LLC • Threshold Funding Model Projection

Report Date September 10, 2007
Beginning Fiscal Year January 01, 2008
Account Number 10456

Version Number 10.0

Beginning Balance: \$105,000

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Reserves	Percent Funded
2008	306,954	30,040	2,123	21,072	116,091	215,213	53%
2009	316,162	30,941	2,750	3,080	146,703	242,879	60%
2010	325,647	31,869	3,138	15,907	165,803	258,527	64%
2011	335,417	32,825	3,654	11,205	191,076	280,389	68%
2012	345,479	26,770	306	191,076	27,076	113,346	23%
2013	355,843	27,573	811	3,735	51,725	140,859	36%
2014	366,519	28,400	1,332	4,250	77,207	169,494	45%
2015	377,514	29,252	949	48,224	59,184	153,202	38%
2016	388,840	30,130	1,202	18,748	71,768	168,587	42%
2017	400,505	31,034	1,376	23,635	80,542	180,169	44%
2018	412,520	31,965	1,335	34,817	79,025	181,184	43%
2019	424,896	32,923	2,053		114,001	220,143	51%
2020	437,643	33,911	2,563	11,450	139,025	249,129	55%
2021	450,772	34,929	3,289	2,790	174,452	289,208	60%
2022	464,295	35,976	2,526	74,764	138,190	255,199	54%
2023	478,224	37,056	2,972	18,036	160,182	281,452	56%
2024	492,571	38,167	3,316	24,389	177,276	302,884	58%
2025	507,348	39,312	4,209		220,798	352,000	62%
2026	522,568	40,492	3,824	62,325	202,788	337,668	60%
2027	538,245	41,707	4,414	17,114	231,795	372,109	62%
2028	554,393	42,958	5,283	5,819	274,217	420,839	65%
2029	571,024	44,246	4,776	72,854	250,386	401,226	62%
2030	588,155	45,574	5,370	21,709	279,620	436,636	64%
2031	605,800	46,941	6,387	3,750	329,198	493,553	66%
2032	623,974	48,349	554	329,198	48,903	208,344	23%
2033	642,693	49,800	1,464	6,746	93,420	258,144	36%
2034	661,974	51,294	910	78,204	67,420	235,151	28%
2035	681,833	52,833	1,641	18,558	103,336	276,312	37%
2036	702,288	54,418	2,048	36,152	123,649	301,657	40%
2037	723,356	56,050	2,776	22,999	159,475	343,378	46%

Sample Reserve Study
ARA-LLC • Component Funding Model Summary

Report Parameters	
Report Date	September 10, 2007
Account Number	10456
Version	10.0
Budget Year Beginning	January 01, 2008
Budget Year Ending	December 31, 2008
Total Units	55
Phase Development	3 of 3
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	3.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2008 Beginning Balance	\$105,000.00

For budgeting purposes, unless otherwise indicated, we have used January 1990 to begin aging the original components in this reserve study.

This 55 unit condominium is located at the intersection of 1st Street and Main Street, Your Town, Your State, USA.

The last Applied Reserve Analysis, LLC field inspection was completed on June 1, 2008.

CFM Model Summary of Calculations

Required Monthly Contribution	\$3,576.92
<i>\$65.03 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$189.24</u>
Total Monthly Allocation to Reserves	\$3,766.17
<i>\$68.47 per unit monthly</i>	

Sample Reserve Study
ARA-LLC • Component Funding Model Projection

Report Date September 10, 2007
 Beginning Fiscal Year January 01, 2008
 Account Number 10456

Version Number 10.0

Beginning Balance: \$105,000

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Reserves	Percent Funded
2008	306,954	42,923	2,271	21,072	129,122	215,213	59%
2009	316,162	42,293	3,157	3,080	171,492	242,879	70%
2010	325,647	40,355	3,761	15,907	199,701	258,527	77%
2011	335,417	35,836	4,407	11,205	228,738	280,389	81%
2012	345,479	38,172	1,236	191,076	77,070	113,346	67%
2013	355,843	32,954	1,932	3,735	108,221	140,859	76%
2014	366,519	32,381	2,575	4,250	138,928	169,494	81%
2015	377,514	33,192	2,303	48,224	126,198	153,202	82%
2016	388,840	33,818	2,665	18,748	143,934	168,587	85%
2017	400,505	34,590	2,947	23,635	157,835	180,169	87%
2018	412,520	35,509	3,015	34,817	161,542	181,184	89%
2019	424,896	36,016	3,838		201,396	220,143	91%
2020	437,643	36,809	4,449	11,450	231,204	249,129	92%
2021	450,772	37,471	5,272	2,790	271,157	289,208	93%
2022	464,295	39,021	4,611	74,764	240,025	255,199	94%
2023	478,224	39,729	5,162	18,036	266,880	281,452	94%
2024	492,571	40,729	5,608	24,389	288,828	302,884	95%
2025	507,348	41,423	6,598		336,849	352,000	95%
2026	522,568	42,999	6,313	62,325	323,835	337,668	95%
2027	538,245	43,771	7,005	17,114	357,497	372,109	96%
2028	554,393	44,732	7,969	5,819	404,378	420,839	96%
2029	571,024	46,577	7,563	72,854	385,664	401,226	96%
2030	588,155	47,615	8,262	21,709	419,832	436,636	96%
2031	605,800	48,656	9,379	3,750	474,117	493,553	96%
2032	623,974	53,866	3,689	329,198	202,474	208,344	97%
2033	642,693	53,628	4,764	6,746	254,120	258,144	98%
2034	661,974	55,479	4,365	78,204	235,761	235,151	100%
2035	681,833	56,172	5,248	18,558	278,623	276,312	100%
2036	702,288	56,187	5,784	36,152	304,442	301,657	100%
2037	723,356	57,230	6,623	22,999	345,295	343,378	100%

Sample Reserve Study
ARA-LLC • Component Funding Model Assessment & Category Summary

Report Date September 10, 2007
 Beginning Fiscal Year January 01, 2008
 Account Number 10456

Version Number 10.0

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Streets, Asphalt							
Streets - Asphalt Overlay	2012	20	2	4	78,532	5,233	64,253
Streets - Asphalt Repairs	2012	5	0	4	3,460	0	692
Streets - Asphalt Seal Coat	2012	5	0	4	6,300	0	1,260
Streets, Asphalt - Total					\$88,292	\$5,233	\$66,205
Roofing							
Roofs - Built Up w/Gravel, Replace	2015	14	0	7	29,115	0	14,557
Roofing - Total					\$29,115		\$14,557
Gutters & Downspouts							
Gutters & Downspouts - Replace	2012	22	0	4	1,248	1,021	1,021
Gutters & Downspouts - Total					\$1,248	\$1,021	\$1,021
Skylights							
Skylights - Roof, Replace	2012	22	0	4	1,380	1,129	1,129
Skylights - Total					\$1,380	\$1,129	\$1,129
Painting, Interior							
Paint - Lobby, Atrium, & Halls	2010	8	0	2	13,209	9,907	9,907
Painting, Interior - Total					\$13,209	\$9,907	\$9,907
Painting, Exterior							
Paint - Metal	2008	5	0	0	3,222	3,222	3,222
Paint - Stucco	2012	10	0	4	37,975	22,785	22,785
Paint - Wood Siding	2011	5	0	3	1,900	760	760
Painting, Exterior - Total					\$43,097	\$26,767	\$26,767
Fencing							
Fence - Metal, Pool, Replace	2008	18	0	0	16,157	16,157	16,157
Fencing - Total					\$16,157	\$16,157	\$16,157
Pool							
Pool - Filter, Replace	2014	12	0	6	1,330	0	665
Pool - Replaster/Tile Replacement	2012	12	0	4	6,390	4,260	4,260
Pool Furniture - Replacement	2008	7	0	0	1,693	1,693	1,693
Pool Heater - Replacement	2014	12	0	6	2,229	0	1,114
Pool - Total					\$11,642	\$5,953	\$7,733

Sample Reserve Study
ARA-LLC • Component Funding Model Assessment & Category Summary

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Play Equipment							
Play Equipment - Replace	2016	16	0	8	<u>12,900</u>	0	<u>6,450</u>
Play Equipment - Total					\$12,900		\$6,450
Railings, Metal							
Railing - Ext, Wrght Iron, Replace	2012	22	0	4	<u>3,588</u>	<u>2,936</u>	<u>2,936</u>
Railings, Metal - Total					\$3,588	\$2,936	\$2,936
Lighting, Interior							
Lighting - Ceiling Recess Rounds, Replace	2020	22	0	12	1,548	0	704
Lighting - EXIT/Emergency, Replace	2012	22	0	4	5,603	4,584	4,584
Lighting - Fluorescent Fixtures, Replace	2020	22	0	12	6,483	0	2,947
Lighting - Wall Sconces, Replace	2012	22	0	4	<u>6,279</u>	<u>5,137</u>	<u>5,137</u>
Lighting, Interior - Total					\$19,913	\$9,722	\$13,372
Lighting, Exterior							
Lighting - Buildings, Replace	2012	22	0	4	<u>1,866</u>	<u>1,527</u>	<u>1,527</u>
Lighting, Exterior - Total					\$1,866	\$1,527	\$1,527
Floor Cover							
Floor Cover - Carpet, Halls, Replace	2011	6	0	3	<u>8,355</u>	<u>4,177</u>	<u>4,177</u>
Floor Cover - Total					\$8,355	\$4,177	\$4,177
Hot Water System							
Boiler - Hot Water System, Replace	2032	30	0	24	16,391	0	3,278
Hot Water Storage Tank - Replace	2018	16	0	10	<u>3,090</u>	0	<u>1,159</u>
Hot Water System - Total					\$19,481		\$4,437
Elevator							
Elevator - Cab Refurbishing	2018	14	0	10	6,386	0	1,825
Elevator - Major Repairs	2012	18	0	4	<u>11,330</u>	<u>8,812</u>	<u>8,812</u>
Elevator - Total					\$17,716	\$8,812	\$10,637
Gate Operator							
Security - Gate Operators Sliding, Replace	2012	12	2	4	<u>4,038</u>	<u>2,884</u>	<u>2,884</u>
Gate Operator - Total					\$4,038	\$2,884	\$2,884
Security							
Security - Access Phone, Replace	2009	15	4	1	<u>2,990</u>	<u>2,833</u>	<u>2,833</u>
Security - Total					\$2,990	\$2,833	\$2,833
Doors, Exterior							
Doors - Exterior, Metal, Replace	2015	25	0	7	<u>8,403</u>	0	<u>6,050</u>
Doors, Exterior - Total					\$8,403		\$6,050

Sample Reserve Study
ARA-LLC • Component Funding Model Assessment & Category Summary

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Landscape Equipment							
Irrigation Controller - Replace	2012	12	0	4	<u>1,780</u>	<u>1,187</u>	<u>1,187</u>
Landscape Equipment - Total					\$1,780	\$1,187	\$1,187
Mailboxes							
Mailboxes - Wall Clusters, Replace	2010	16	4	2	<u>1,785</u>	<u>1,606</u>	<u>1,606</u>
Mailboxes - Total					\$1,785	\$1,606	\$1,606
Total Asset Summary					<u>\$306,954</u>	<u>\$101,850</u>	<u>\$201,572</u>
Contingency at 3.00%						<u>\$3,150</u>	<u>\$6,234</u>
Summary Total						\$105,000	\$207,806
Fully Funded Level						51%	
Current Average Liability per Unit (Total Units: 55)						-\$1,868	

Sample Reserve Study
ARA-LLC • Distribution of Accumulated Reserves

Report Date September 10, 2007
Beginning Fiscal Year January 01, 2008
Account Number 10456

Version Number 10.0

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Fence - Metal, Pool, Replace	0	2008	16,157	16,157
Paint - Metal	0	2008	3,222	3,222
Pool Furniture - Replacement	0	2008	1,693	1,693
Security - Access Phone, Replace	1	2009	2,833	2,833
Mailboxes - Wall Clusters, Replace	2	2010	1,606	1,606
Paint - Lobby, Atrium, & Halls	2	2010	9,907	9,907
Floor Cover - Carpet, Halls, Replace	3	2011	4,177	4,177
Paint - Wood Siding	3	2011	760	760
Elevator - Major Repairs	4	2012	8,812	8,812
Gutters & Downspouts - Replace	4	2012	1,021	1,021
Irrigation Controller - Replace	4	2012	1,187	1,187
Lighting - Buildings, Replace	4	2012	1,527	1,527
Lighting - EXIT/Emergency, Replace	4	2012	4,584	4,584
Lighting - Wall Sconces, Replace	4	2012	5,137	5,137
Paint - Stucco	4	2012	22,785	22,785
Pool - Replaster/Tile Replacement	4	2012	4,260	4,260
Railing - Ext, Wrght Iron, Replace	4	2012	2,936	2,936
Security - Gate Operators Sliding, Replace	4	2012	2,884	2,884
Skylights - Roof, Replace	4	2012	1,129	1,129
Streets - Asphalt Overlay	4	2012	*5,233	64,253
Streets - Asphalt Repairs	4	2012		692
Streets - Asphalt Seal Coat	4	2012		1,260
Pool - Filter, Replace	6	2014		665
Pool Heater - Replacement	6	2014		1,114
Doors - Exterior, Metal, Replace	7	2015		6,050
Roofs - Built Up w/Gravel, Replace	7	2015		14,557
Play Equipment - Replace	8	2016		6,450
Elevator - Cab Refurbishing	10	2018		1,825
Hot Water Storage Tank - Replace	10	2018		1,159
Lighting - Ceiling Recess Rounds, Replace	12	2020		704
Lighting - Fluorescent Fixtures, Replace	12	2020		2,947
Boiler - Hot Water System, Replace	24	2032		3,278

Sample Reserve Study
ARA-LLC • Distribution of Accumulated Reserves

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Total Asset Summary			<u>\$101,850</u>	<u>\$201,572</u>
Contingency at 3.00%			<u>\$3,150</u>	<u>\$6,234</u>
Summary Total			<u>\$105,000</u>	<u>\$207,806</u>
Fully Funded Level			51%	
Current Average Liability per Unit (Total Units: 55)			-\$1,868	
<i>** Indicates Partially Funded</i>				

Sample Reserve Study
ARA-LLC • Annual Expenditure Detail

Report Date September 10, 2007
Beginning Fiscal Year January 01, 2008
Account Number 10456

Version Number 10.0

Description	Expenditures
Replacement Year 2008	
Fence - Metal, Pool, Replace	16,157
Paint - Metal	3,222
Pool Furniture - Replacement	<u>1,693</u>
Total for 2008	\$21,072
Replacement Year 2009	
Security - Access Phone, Replace	<u>3,080</u>
Total for 2009	\$3,080
Replacement Year 2010	
Mailboxes - Wall Clusters, Replace	1,894
Paint - Lobby, Atrium, & Halls	<u>14,013</u>
Total for 2010	\$15,907
Replacement Year 2011	
Floor Cover - Carpet, Halls, Replace	9,129
Paint - Wood Siding	<u>2,076</u>
Total for 2011	\$11,205
Replacement Year 2012	
Elevator - Major Repairs	12,752
Gutters & Downspouts - Replace	1,404
Irrigation Controller - Replace	2,003
Lighting - Buildings, Replace	2,100
Lighting - EXIT/Emergency, Replace	6,306
Lighting - Wall Sconces, Replace	7,067
Paint - Stucco	42,741
Pool - Replaster/Tile Replacement	7,192
Railing - Ext, Wrght Iron, Replace	4,038
Security - Gate Operators Sliding, Replace	4,545
Skylights - Roof, Replace	1,553
Streets - Asphalt Overlay	88,388
Streets - Asphalt Repairs	3,894
Streets - Asphalt Seal Coat	<u>7,091</u>
Total for 2012	\$191,076

Sample Reserve Study
ARA-LLC • Annual Expenditure Detail

Description	Expenditures
Replacement Year 2013	
Paint - Metal	<u>3,735</u>
Total for 2013	\$3,735
Replacement Year 2014	
Pool - Filter, Replace	1,588
Pool Heater - Replacement	<u>2,662</u>
Total for 2014	\$4,250
Replacement Year 2015	
Doors - Exterior, Metal, Replace	10,335
Pool Furniture - Replacement	2,082
Roofs - Built Up w/Gravel, Replace	<u>35,808</u>
Total for 2015	\$48,224
Replacement Year 2016	
Paint - Wood Siding	2,407
Play Equipment - Replace	<u>16,341</u>
Total for 2016	\$18,748
Replacement Year 2017	
Floor Cover - Carpet, Halls, Replace	10,901
Streets - Asphalt Repairs	4,514
Streets - Asphalt Seal Coat	<u>8,220</u>
Total for 2017	\$23,635
Replacement Year 2018	
Elevator - Cab Refurbishing	8,582
Hot Water Storage Tank - Replace	4,153
Paint - Lobby, Atrium, & Halls	17,752
Paint - Metal	<u>4,330</u>
Total for 2018	\$34,817
<i>No Replacement in 2019</i>	
Replacement Year 2020	
Lighting - Ceiling Recess Rounds, Replace	2,207
Lighting - Fluorescent Fixtures, Replace	<u>9,243</u>
Total for 2020	\$11,450
Replacement Year 2021	
Paint - Wood Siding	<u>2,790</u>
Total for 2021	\$2,790

Sample Reserve Study
ARA-LLC • Annual Expenditure Detail

Description	Expenditures
Replacement Year 2022	
Paint - Stucco	57,441
Pool Furniture - Replacement	2,561
Streets - Asphalt Repairs	5,233
Streets - Asphalt Seal Coat	<u>9,529</u>
Total for 2022	\$74,764
Replacement Year 2023	
Floor Cover - Carpet, Halls, Replace	13,016
Paint - Metal	<u>5,020</u>
Total for 2023	\$18,036
Replacement Year 2024	
Irrigation Controller - Replace	2,856
Pool - Replaster/Tile Replacement	10,254
Security - Access Phone, Replace	4,798
Security - Gate Operators Sliding, Replace	<u>6,480</u>
Total for 2024	\$24,389
<i>No Replacement in 2025</i>	
Replacement Year 2026	
Fence - Metal, Pool, Replace	27,506
Mailboxes - Wall Clusters, Replace	3,039
Paint - Lobby, Atrium, & Halls	22,487
Paint - Wood Siding	3,235
Pool - Filter, Replace	2,264
Pool Heater - Replacement	<u>3,795</u>
Total for 2026	\$62,325
Replacement Year 2027	
Streets - Asphalt Repairs	6,067
Streets - Asphalt Seal Coat	<u>11,047</u>
Total for 2027	\$17,114
Replacement Year 2028	
Paint - Metal	<u>5,819</u>
Total for 2028	\$5,819
Replacement Year 2029	
Floor Cover - Carpet, Halls, Replace	15,542

Sample Reserve Study
ARA-LLC • Annual Expenditure Detail

Description	Expenditures
<i>Replacement Year 2029 continued...</i>	
Pool Furniture - Replacement	3,149
Roofs - Built Up w/Gravel, Replace	<u>54,162</u>
Total for 2029	\$72,854
 Replacement Year 2030	
Elevator - Major Repairs	<u>21,709</u>
Total for 2030	\$21,709
 Replacement Year 2031	
Paint - Wood Siding	<u>3,750</u>
Total for 2031	\$3,750
 Replacement Year 2032	
Boiler - Hot Water System, Replace	33,320
Elevator - Cab Refurbishing	12,981
Paint - Stucco	77,195
Play Equipment - Replace	26,223
Streets - Asphalt Overlay	159,639
Streets - Asphalt Repairs	7,033
Streets - Asphalt Seal Coat	<u>12,807</u>
Total for 2032	\$329,198
 Replacement Year 2033	
Paint - Metal	<u>6,746</u>
Total for 2033	\$6,746
 Replacement Year 2034	
Gutters & Downspouts - Replace	2,691
Hot Water Storage Tank - Replace	6,664
Lighting - Buildings, Replace	4,024
Lighting - EXIT/Emergency, Replace	12,083
Lighting - Wall Sconces, Replace	13,541
Paint - Lobby, Atrium, & Halls	28,486
Railing - Ext, Wrght Iron, Replace	7,738
Skylights - Roof, Replace	<u>2,976</u>
Total for 2034	\$78,204
 Replacement Year 2035	
Floor Cover - Carpet, Halls, Replace	<u>18,558</u>
Total for 2035	\$18,558

Sample Reserve Study
ARA-LLC • Annual Expenditure Detail

Description	Expenditures
Replacement Year 2036	
Irrigation Controller - Replace	4,073
Paint - Wood Siding	4,347
Pool - Replaster/Tile Replacement	14,620
Pool Furniture - Replacement	3,873
Security - Gate Operators Sliding, Replace	<u>9,239</u>
Total for 2036	\$36,152
 Replacement Year 2037	
Streets - Asphalt Repairs	8,153
Streets - Asphalt Seal Coat	<u>14,846</u>
Total for 2037	\$22,999

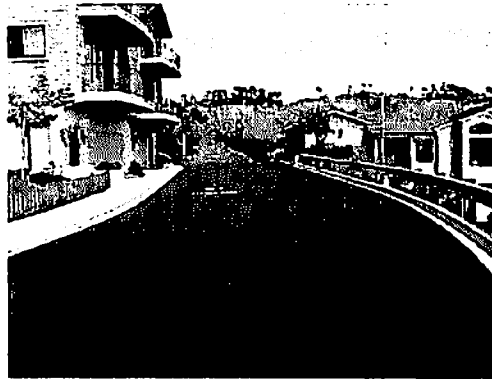
Sample Reserve Study
ARA-LLC • Detail Report by Category

Report Date September 10, 2007
 Beginning Fiscal Year January 01, 2008
 Account Number 10456

Version Number 10.0

Streets - Asphalt Overlay - 2012

Asset ID	1069	Asset Cost	\$78,532.00
Category	Streets, Asphalt	Percent Replacement	100%
Placed in Service	January 1990	Future Cost	\$88,388.45
Useful Life	20	Assigned Reserves	\$5,232.91
Adjustment	2	Monthly Assessment	\$1,485.12
Replacement Year	2012	Interest Contribution	<u>\$17.00</u>
Remaining Life	4	Reserve Allocation	\$1,502.12



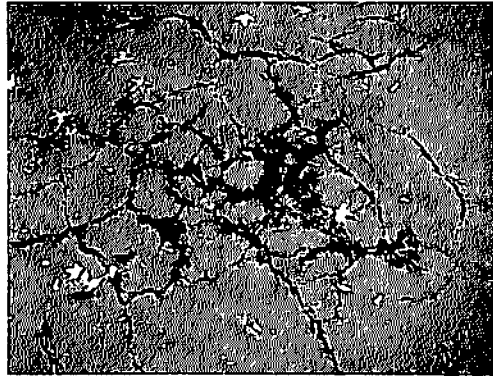
35,000 - sq. ft. of asphalt overlay	@	\$2.10 =	\$73,500.00
7 - manhole cover adjustments	@	472.00 =	3,304.00
12 - valve cover adjustments	@	144.00 =	<u>1,728.00</u>
		Total =	\$78,532.00

The cost of asphalt overlay is based on a minimum thickness of 1.5" and includes the cost of applying a paving fabric.

Sample Reserve Study
ARA-LLC • Detail Report by Category

Streets - Asphalt Repairs - 2012

Asset ID	1058	35,000 sq. ft.	@ \$6.59
		Asset Cost	\$3,459.75
		Percent Replacement	1.5%
Category	Streets, Asphalt	Future Cost	\$3,893.97
Placed in Service	January 2007	Assigned Reserves	<i>none</i>
Useful Life	5		
		Monthly Assessment	\$69.92
Replacement Year	2012	Interest Contribution	<u>\$0.80</u>
Remaining Life	4	Reserve Allocation	\$70.73



The useful life on the asphalt repairs has been adjusted to align with the future cycle of the asphalt sealing.

It is estimated that a percentage of the asphalt areas will require repair or replacement. The actual condition of the asphalt should be monitored through time and the estimates adjusted accordingly.

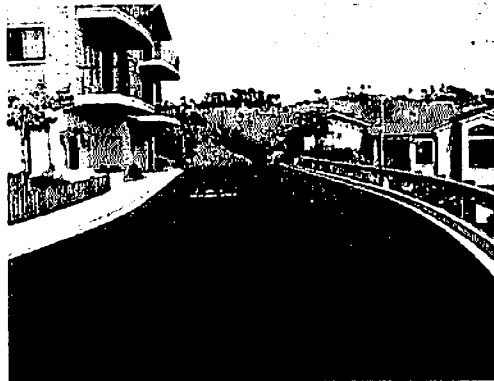
The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Streets - Asphalt Seal Coat - 2012

Asset ID	1059	35,000 sq. ft.	@ \$0.18
		Asset Cost	\$6,300.00
		Percent Replacement	100%
Category	Streets, Asphalt	Future Cost	\$7,090.70
Placed in Service	January 2007	Assigned Reserves	<i>none</i>
Useful Life	5		
		Monthly Assessment	\$127.33
Replacement Year	2012	Interest Contribution	<u>\$1.45</u>
Remaining Life	4	Reserve Allocation	\$128.79

**Sample Reserve Study
ARA-LLC • Detail Report by Category**

Streets - Asphalt Seal Coat continued...



Asphalt surfaces should be sealed within 3 years of their initial installation. Thereafter, a 4 to 5 year cycle should be observed and adjusted according to the client's particular needs.

The cost includes any restriping that may be necessary.

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

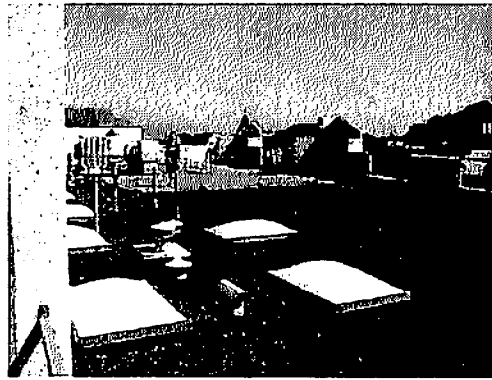
The replacement cost for this asset has been adjusted downward due to the large quantity to be replaced or maintained.

Streets, Asphalt - Total Current Cost	\$88,292
Assigned Reserves	\$5,233
Fully Funded Reserves	\$66,205

Sample Reserve Study
ARA-LLC • Detail Report by Category

Roofs - Built Up w/Gravel, Replace - 2015

Asset ID	1001	5,090 sq. ft.	@ \$5.72
Category	Roofing	Asset Cost	\$29,114.80
Placed in Service	June 2001	Percent Replacement	100%
Useful Life	14	Future Cost	\$35,807.53
Replacement Year	2015	Assigned Reserves	<i>none</i>
Remaining Life	7	Monthly Assessment	\$355.85
		Interest Contribution	<u>\$4.07</u>
		Reserve Allocation	\$359.93



The client advises that these roofs were replaced during June 2001 for \$18,476.

Main building	-	3,890	
Building A	-	<u>1,200</u>	
Total	=	5,090	sq. ft.

It is recommended that the association secure cost proposals for the roofing replacement from qualified roofing contractors or consultants as soon as practical. Roofing costs have risen significantly due to new environmental and safety regulations, as well as higher costs of materials. In addition, existing or changes to roofing specifications, choice of the quality of the product, possible structural repairs, or other unknown factors can add to the cost. We can amend this analysis using the current cost proposals in an updated or revised reserve study when the information becomes available.

Included

The cost used on this component includes the removal and disposal of the existing material.

The cost used on this component includes the removal and disposal of the existing material.

The roofing specifications are unknown; therefore, the cost used on this built-up roof is based upon replacing it with a 3-ply roof membrane. The useful life estimate is based upon the assumption that the roof will be inspected annually and maintained as needed.

Sample Reserve Study
ARA-LLC • Detail Report by Category

Roofing - Total Current Cost	\$29,115
Assigned Reserves	\$0
Fully Funded Reserves	\$14,557

Sample Reserve Study
ARA-LLC • Detail Report by Category

Gutters & Downspouts - Replace - 2012

Asset ID	1004	170 lin. ft.	@ \$7.34
		Asset Cost	\$1,247.80
		Percent Replacement	100%
Category	Gutters & Downspouts	Future Cost	\$1,404.40
Placed in Service	January 1990	Assigned Reserves	\$1,020.92
Useful Life	22		
		Monthly Assessment	\$5.28
Replacement Year	2012	Interest Contribution	<u>\$0.06</u>
Remaining Life	4	Reserve Allocation	\$5.34

There are gutters and downspouts on Building A only.

gutters	-	110	
downspouts	-	<u>60</u>	
Total =		170	lin. ft.

Gutters & Downspouts - Total Current Cost	\$1,248
Assigned Reserves	\$1,021
Fully Funded Reserves	\$1,021

**Sample Reserve Study
ARA-LLC • Detail Report by Category**

Skylights - Roof, Replace - 2012

Asset ID	1013	2 skylights	@ \$690.00
Category	Skylights	Asset Cost	\$1,380.00
Placed in Service	January 1990	Percent Replacement	100%
Useful Life	22	Future Cost	\$1,553.20
Replacement Year	2012	Assigned Reserves	\$1,129.09
Remaining Life	4	Monthly Assessment	\$5.84
		Interest Contribution	<u>\$0.06</u>
		Reserve Allocation	\$5.90



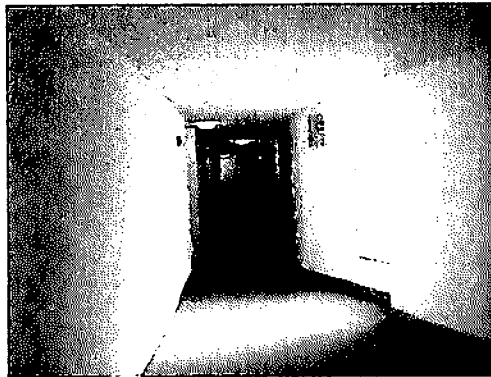
These skylights are 4' by 3'.

Skylights - Total Current Cost	\$1,380
Assigned Reserves	\$1,129
Fully Funded Reserves	\$1,129

Sample Reserve Study
ARA-LLC • Detail Report by Category

Paint - Lobby, Atrium, & Halls - 2010

Asset ID	1011	18,870 sq. ft.	@ \$0.70
Category	Painting, Interior	Asset Cost	\$13,209.00
Placed in Service	May 2002	Percent Replacement	100%
Useful Life	8	Future Cost	\$14,013.42
Replacement Year	2010	Assigned Reserves	\$9,906.75
Remaining Life	2	Monthly Assessment	\$135.08
		Interest Contribution	<u>\$1.54</u>
		Reserve Allocation	\$136.63



The client advises that the entire association was painted, interior and exteriors, during May 2002. This is the interiors for the main building. Building A has no interiors.

entry doors	-	690	
lobby	-	1,130	
hallway/atrium, 1st floor	-	4,380	
hallway, 2nd floor	-	1,610	
hallway, 3rd floor	-	1,610	
hallway, 4th floor	-	420	
garage, wall only	-	3,840	
stairwells	-	<u>5,190</u>	
Total	=	18,870	sq. ft.

Painting, Interior - Total Current Cost	\$13,209
Assigned Reserves	\$9,907
Fully Funded Reserves	\$9,907

Sample Reserve Study
ARA-LLC • Detail Report by Category

Paint - Metal - 2008

Asset ID	1067	2,148 sq. ft.	@ \$1.50
		Asset Cost	\$3,222.00
Category	Painting, Exterior	Percent Replacement	100%
Placed in Service	May 2002	Future Cost	\$3,222.00
Useful Life	5	Assigned Reserves	\$3,222.00
Replacement Year	2008	Monthly Assessment	\$53.09
Remaining Life	0	Interest Contribution	<u>\$0.60</u>
		Reserve Allocation	\$53.70

This asset budgets for painting the metal fencing, gates and deck railing.

The client advises that the entire association was painted, interior and exteriors, during May 2002.

Paint - Stucco - 2012

Asset ID	1007	Asset Cost	\$37,975.00
		Percent Replacement	100%
Category	Painting, Exterior	Future Cost	\$42,741.19
Placed in Service	May 2002	Assigned Reserves	\$22,785.00
Useful Life	10		
Replacement Year	2012	Monthly Assessment	\$322.55
Remaining Life	4	Interest Contribution	<u>\$3.69</u>
		Reserve Allocation	\$326.25



The client advises that the entire association was painted, interior and exteriors, during May 2002.

This is a five story building.

24,500 - sq. ft. of stucco, Main Building @ \$1.55 = \$37,975.00

Sample Reserve Study
ARA-LLC • Detail Report by Category

Paint - Stucco continued...

Total = \$37,975.00

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Paint - Wood Siding - 2011

Asset ID	1066	Asset Cost	\$1,900.00
Category	Painting, Exterior	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$2,076.18
Useful Life	5	Assigned Reserves	\$760.00
Replacement Year	2011	Monthly Assessment	\$30.65
Remaining Life	3	Interest Contribution	<u>\$0.35</u>
		Reserve Allocation	\$31.00



The client advises that the entire association was painted, interior and exteriors, during May 2002.

This is a two story building.

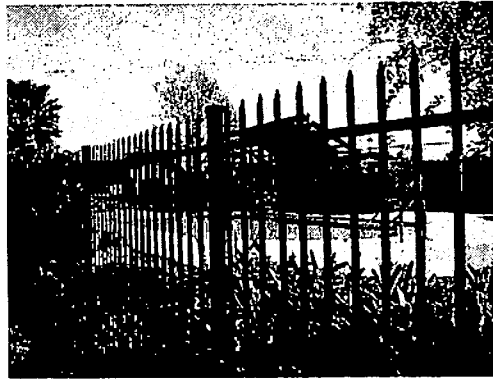
2,000 - sq. ft., siding, bldg A	@	\$0.95 =	<u>\$1,900.00</u>
		Total =	\$1,900.00

Painting, Exterior - Total Current Cost	\$43,097
Assigned Reserves	\$26,767
Fully Funded Reserves	\$26,767

Sample Reserve Study
ARA-LLC • Detail Report by Category

Fence - Metal, Pool, Replace - 2008

Asset ID	1016	Asset Cost	\$16,156.60
		Percent Replacement	100%
Category	Fencing	Future Cost	\$16,156.60
Placed in Service	January 1990	Assigned Reserves	\$16,156.60
Useful Life	18		
		Monthly Assessment	\$94.24
Replacement Year	2008	Interest Contribution	<u>\$1.07</u>
Remaining Life	0	Reserve Allocation	\$95.32



This is painted steel tubular fencing with a spear top.

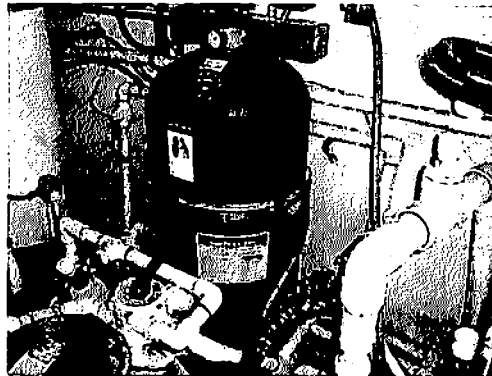
120 - lin. ft. of 6'H fencing, pool	@	\$47.98 =	\$5,757.60
1 - gate, 2'W x 6'H	@	198.00 =	198.00
150 - lin. ft., driveway, 6'H	@	47.98 =	7,197.00
1 - vehicle gate, 18'x6'H, driveway	@	3,004.00 =	<u>3,004.00</u>
		Total =	\$16,156.60

Fencing - Total Current Cost	\$16,157
Assigned Reserves	\$16,157
Fully Funded Reserves	\$16,157

Sample Reserve Study
ARA-LLC • Detail Report by Category

Pool - Filter, Replace - 2014

Asset ID	1063	Asset Cost	\$1,330.00
		Percent Replacement	100%
Category	Pool	Future Cost	\$1,588.08
Placed in Service	January 2002	Assigned Reserves	<i>none</i>
Useful Life	12		
		Monthly Assessment	\$18.61
Replacement Year	2014	Interest Contribution	<u>\$0.21</u>
Remaining Life	6	Reserve Allocation	\$18.82



The pool contractor advises that this Purex 60 sq. ft. pool filter was placed in serviced during 2002.

The actual month this item was "placed in service" was not available. For budgeting purposes we have used the month corresponding to the beginning of the client's fiscal year.

Pool - Replaster/Tile Replacement - 2012

Asset ID	1060	Asset Cost	\$6,390.20
		Percent Replacement	100%
Category	Pool	Future Cost	\$7,192.22
Placed in Service	January 2000	Assigned Reserves	\$4,260.13
Useful Life	12		
		Monthly Assessment	\$45.95
Replacement Year	2012	Interest Contribution	<u>\$0.52</u>
Remaining Life	4	Reserve Allocation	\$46.48

Sample Reserve Study
ARA-LLC • Detail Report by Category

Pool - Replaster/Tile Replacement continued...



The pool appears to be in good condition.

800 - sq. ft. of pool replastering	@	\$5.27 =	\$4,216.00
120 - lin. ft. of trim tile	@	15.53 =	1,863.60
20 - lin. ft. of lane tile	@	15.53 =	<u>310.60</u>
		Total =	\$6,390.20

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Pool Furniture - Replacement - 2008

Asset ID	1061	Asset Cost	\$1,693.00
Category	Pool	Percent Replacement	100%
Placed in Service	January 2001	Future Cost	\$1,693.00
Useful Life	7	Assigned Reserves	\$1,693.00
Replacement Year	2008	Monthly Assessment	\$20.69
Remaining Life	0	Interest Contribution	<u>\$0.23</u>
		Reserve Allocation	\$20.92

Sample Reserve Study
ARA-LLC • Detail Report by Category

Pool Furniture - Replacement continued...

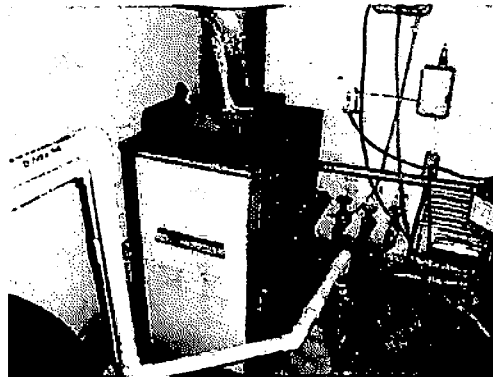


This Tropi-Kai style furniture appears to be in good conditon.

4 - chairs	@	\$226.00 =	\$904.00
1 - brunch table	@	373.00 =	373.00
1 - fabric umbrella	@	416.00 =	<u>416.00</u>
		Total =	\$1,693.00

Pool Heater - Replacement - 2014

Asset ID	1062	Asset Cost	\$2,229.00
Category	Pool	Percent Replacement	100%
Placed in Service	January 2002	Future Cost	\$2,661.54
Useful Life	12	Assigned Reserves	<i>none</i>
Replacement Year	2014	Monthly Assessment	\$31.19
Remaining Life	6	Interest Contribution	<u>\$0.35</u>
		Reserve Allocation	\$31.54



The pool contractor advises that this 400K Teledyne Laars pool heater is original and is in

Sample Reserve Study
ARA-LLC • Detail Report by Category

Pool Heater - Replacement continued...

poor condition.

Pool - Total Current Cost	\$11,642
Assigned Reserves	\$5,953
Fully Funded Reserves	\$7,733

Sample Reserve Study
ARA-LLC • Detail Report by Category

Play Equipment - Replace - 2016

Asset ID	1064	Asset Cost	\$12,900.00
		Percent Replacement	100%
Category	Play Equipment	Future Cost	\$16,341.33
Placed in Service	January 2000	Assigned Reserves	<i>none</i>
Useful Life	16		
		Monthly Assessment	\$140.57
Replacement Year	2016	Interest Contribution	<u>\$1.60</u>
Remaining Life	8	Reserve Allocation	\$142.18



The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Play Equipment - Total Current Cost	\$12,900
Assigned Reserves	\$0
Fully Funded Reserves	\$6,450

Sample Reserve Study
ARA-LLC • Detail Report by Category

Railing - Ext, Wrght Iron, Replace - 2012

Asset ID	1053	Asset Cost	\$3,588.00
		Percent Replacement	100%
Category	Railings, Metal	Future Cost	\$4,038.32
Placed in Service	January 1990	Assigned Reserves	\$2,935.63
Useful Life	22		
		Monthly Assessment	\$15.18
Replacement Year	2012	Interest Contribution	<u>\$0.17</u>
Remaining Life	4	Reserve Allocation	\$15.36



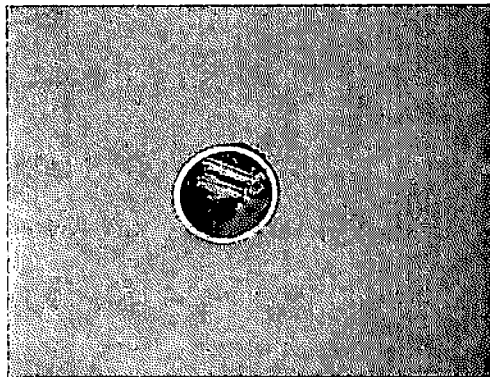
120 - lin. ft. of 3.5'H railing, decks	@	\$29.90 =	<u>\$3,588.00</u>
		Total =	\$3,588.00

Railings, Metal - Total Current Cost	\$3,588
Assigned Reserves	\$2,936
Fully Funded Reserves	\$2,936

Sample Reserve Study
ARA-LLC • Detail Report by Category

Lighting - Ceiling Recess Rounds, Replace - 2020

Asset ID	1026	12 fixtures	@ \$129.00
		Asset Cost	\$1,548.00
Category	Lighting, Interior	Percent Replacement	100%
Placed in Service	August 1998	Future Cost	\$2,207.07
Useful Life	22	Assigned Reserves	<i>none</i>
Replacement Year	2020	Monthly Assessment	\$12.11
Remaining Life	12	Interest Contribution	<u>\$0.13</u>
		Reserve Allocation	\$12.25



The client advises that all light fixtures were replaced or modified during August 1998, to reduce electricity usage and, therefore reduce costs. The hallway wall sconces, emergency double spots, and EXIT signs were not part of this program.

Lighting - EXIT/Emergency, Replace - 2012

Asset ID	1022	Asset Cost	\$5,603.00
		Percent Replacement	100%
Category	Lighting, Interior	Future Cost	\$6,306.22
Placed in Service	January 1990	Assigned Reserves	\$4,584.27
Useful Life	22	Monthly Assessment	\$23.71
Replacement Year	2012	Interest Contribution	<u>\$0.27</u>
Remaining Life	4	Reserve Allocation	\$23.98

Sample Reserve Study
ARA-LLC • Detail Report by Category

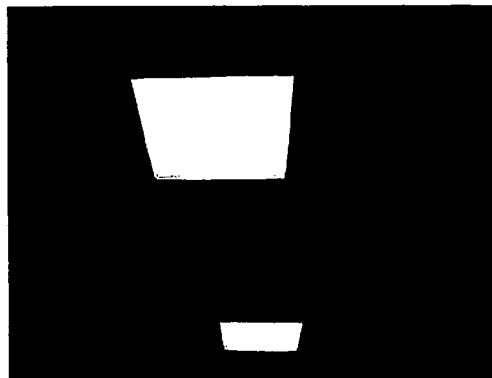
Lighting - EXIT/Emergency, Replace continued...



13 - EXIT emergency signs@	@ \$431.00 =	<u>\$5,603.00</u>
	Total =	\$5,603.00

Lighting - Fluorescent Fixtures, Replace - 2020

Asset ID	1020	Asset Cost	\$6,483.00
Category	Lighting, Interior	Percent Replacement	100%
Placed in Service	August 1998	Future Cost	\$9,243.20
Useful Life	22	Assigned Reserves	<i>none</i>
Replacement Year	2020	Monthly Assessment	\$50.75
Remaining Life	12	Interest Contribution	<u>\$0.58</u>
		Reserve Allocation	\$51.33



The client advises that all light fixtures were replaced or modified during August 1998, to reduce electricity usage and, therefore reduce costs .

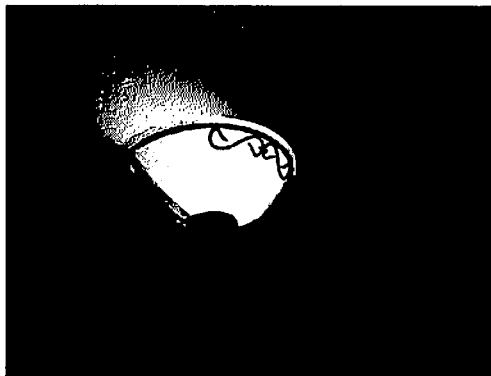
Sample Reserve Study
ARA-LLC • Detail Report by Category

Lighting - Fluorescent Fixtures, Replace continued...

24 - fluor, 8' dbl, w/o lens, garage	@	\$171.00 =	\$4,104.00
3 - fluor, 4' dbl, w/o lens, garage	@	103.00 =	309.00
15 - fluor, 4' dbl, w/lens, hallways	@	138.00 =	<u>2,070.00</u>
		Total =	\$6,483.00

Lighting - Wall Sconces, Replace - 2012

Asset ID	1024	39 sconces	@ \$161.00
		Asset Cost	\$6,279.00
		Percent Replacement	100%
Category	Lighting, Interior	Future Cost	\$7,067.06
Placed in Service	January 1990	Assigned Reserves	\$5,137.36
Useful Life	22		
		Monthly Assessment	\$26.57
Replacement Year	2012	Interest Contribution	<u>\$0.30</u>
Remaining Life	4	Reserve Allocation	\$26.88



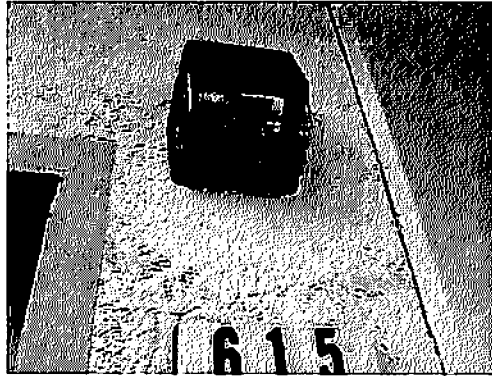
These wall sconces are located in the hallways.

Lighting, Interior - Total Current Cost	\$19,913
Assigned Reserves	\$9,722
Fully Funded Reserves	\$13,372

Sample Reserve Study
ARA-LLC • Detail Report by Category

Lighting - Buildings, Replace - 2012

Asset ID	1068	Asset Cost	\$1,866.00
		Percent Replacement	100%
Category	Lighting, Exterior	Future Cost	\$2,100.19
Placed in Service	January 1990	Assigned Reserves	\$1,526.72
Useful Life	22		
		Monthly Assessment	\$7.89
Replacement Year	2012	Interest Contribution	<u>\$0.09</u>
Remaining Life	4	Reserve Allocation	\$7.98



4 - vapor flood fixtures, Main Building	@	\$438.00 =	\$1,752.00
2 - wall mount lanterns, Building A	@	57.00 =	<u>114.00</u>
		Total =	\$1,866.00

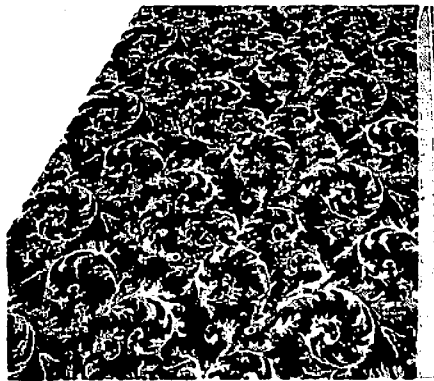
All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

Lighting, Exterior - Total Current Cost	\$1,866
Assigned Reserves	\$1,527
Fully Funded Reserves	\$1,527

Sample Reserve Study
ARA-LLC • Detail Report by Category

Floor Cover - Carpet, Halls, Replace - 2011

Asset ID	1027	160 sq. yds.	@ \$48.80
		Asset Cost	\$8,354.56
Category	Floor Cover	Percent Replacement	107%
Placed in Service	January 2005	Future Cost	\$9,129.25
Useful Life	6	Assigned Reserves	\$4,177.28
Replacement Year	2011	Monthly Assessment	\$113.27
Remaining Life	3	Interest Contribution	<u>\$1.29</u>
		Reserve Allocation	\$114.56



The client advises that this new carpeting was installed during December 1998 for \$6,998.

1st floor	-	45	
2nd floor	-	50	
3rd floor	-	50	
4th floor	-	<u>15</u>	
Total	=	160	sq. yds.

The measurement indicated represents the actual area to be replaced. The percentage of replacement has been increased above 100% to allow for a waste factor which should be considered when replacing this component.

The current cost used on this asset is based upon actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

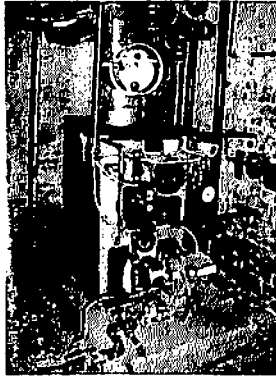
Date for budgeting purposes, we have used the next fiscal year's beginning date as the placed-in-service date for this component.

Floor Cover - Total Current Cost	\$8,355
Assigned Reserves	\$4,177
Fully Funded Reserves	\$4,177

Sample Reserve Study
ARA-LLC • Detail Report by Category

Boiler - Hot Water System, Replace - 2032

Asset ID	1039	Asset Cost	\$16,391.00
		Percent Replacement	100%
Category	Hot Water System	Future Cost	\$33,319.52
Placed in Service	March 2002	Assigned Reserves	<i>none</i>
Useful Life	30		
		Monthly Assessment	\$80.02
Replacement Year	2032	Interest Contribution	<u>\$0.91</u>
Remaining Life	24	Reserve Allocation	\$80.94



This is a 15,500 KBTU input, Teledyne Laars boiler. The client advises that it was replaced during March 2002 for \$15,000.

The cost estimates on this asset were originally provided by the client, and have been adjusted to allow for inflationary changes.

Hot Water Storage Tank - Replace - 2018

Asset ID	1040	Asset Cost	\$3,090.00
		Percent Replacement	100%
Category	Hot Water System	Future Cost	\$4,152.70
Placed in Service	March 2002	Assigned Reserves	<i>none</i>
Useful Life	16		
		Monthly Assessment	\$27.96
Replacement Year	2018	Interest Contribution	<u>\$0.32</u>
Remaining Life	10	Reserve Allocation	\$28.28

Sample Reserve Study
ARA-LLC • Detail Report by Category

Hot Water Storage Tank - Replace continued...



This is an insulated, 150 gallon, hot water storage tank. The client advises that this water storage tank was placed in service during March 2002 with the boiler for \$2913.

The current cost used on this asset is based upon actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

Hot Water System - Total Current Cost	\$19,481
Assigned Reserves	\$0
Fully Funded Reserves	\$4,437

Sample Reserve Study
ARA-LLC • Detail Report by Category

Elevator - Cab Refurbishing - 2018

Asset ID	1036	Asset Cost	\$6,386.00
		Percent Replacement	100%
Category	Elevator	Future Cost	\$8,582.24
Placed in Service	January 2004	Assigned Reserves	<i>none</i>
Useful Life	14		
		Monthly Assessment	\$57.79
Replacement Year	2018	Interest Contribution	<u>\$0.66</u>
Remaining Life	10	Reserve Allocation	\$58.46

This is a 5' x 6.5' elevator cab.

Elevator - Major Repairs - 2012

Asset ID	1037	Asset Cost	\$11,330.00
		Percent Replacement	100%
Category	Elevator	Future Cost	\$12,752.01
Placed in Service	January 1994	Assigned Reserves	\$8,812.22
Useful Life	18		
		Monthly Assessment	\$56.89
Replacement Year	2012	Interest Contribution	<u>\$0.65</u>
Remaining Life	4	Reserve Allocation	\$57.54

This category is for the additional major repair costs associated with hydraulic style elevators such as valve and cylinder replacements. Cab refurbishing alone is generally sufficient for traction style elevators as all additional maintenance is usually covered within the elevator service agreements.

Elevator - Total Current Cost	\$17,716
Assigned Reserves	\$8,812
Fully Funded Reserves	\$10,637

Sample Reserve Study
ARA-LLC • Detail Report by Category

Security - Gate Operators Sliding, Replace - 2012

Asset ID	1030	Asset Cost	\$4,038.00
		Percent Replacement	100%
Category	Gate Operator	Future Cost	\$4,544.80
Placed in Service	January 1998	Assigned Reserves	\$2,884.28
Useful Life	12		
Adjustment	2	Monthly Assessment	\$25.28
Replacement Year	2012	Interest Contribution	<u>\$0.28</u>
Remaining Life	4	Reserve Allocation	\$25.57



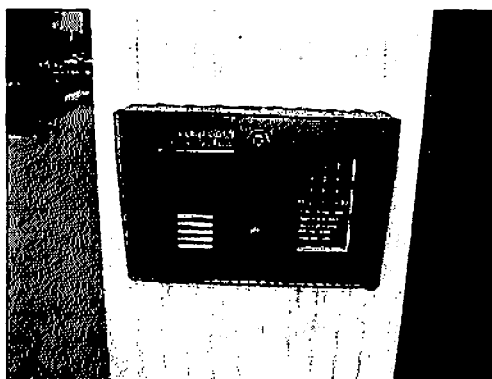
The gate operator opens the driveway vehicle gate. It appears to be in working order.
The useful life of this asset has been extended due to its present condition.

Gate Operator - Total Current Cost	\$4,038
Assigned Reserves	\$2,884
Fully Funded Reserves	\$2,884

Sample Reserve Study
ARA-LLC • Detail Report by Category

Security - Access Phone, Replace - 2009

Asset ID	1028	Asset Cost	\$2,990.00
		Percent Replacement	100%
Category	Security	Future Cost	\$3,079.70
Placed in Service	January 1990	Assigned Reserves	\$2,832.63
Useful Life	15		
Adjustment	4	Monthly Assessment	\$13.86
Replacement Year	2009	Interest Contribution	<u>\$0.15</u>
Remaining Life	1	Reserve Allocation	\$14.02



This is a Nutone, "hands free", access phone. It is in working condition.

The useful life of this asset has been extended due to its present condition.

Security - Total Current Cost	\$2,990
Assigned Reserves	\$2,833
Fully Funded Reserves	\$2,833

Sample Reserve Study
ARA-LLC • Detail Report by Category

Doors - Exterior, Metal, Replace - 2015

Asset ID	1014	Asset Cost	\$8,403.00
Category	Doors, Exterior	Percent Replacement	100%
Placed in Service	January 1990	Future Cost	\$10,334.62
Useful Life	25	Assigned Reserves	<i>none</i>
Replacement Year	2015	Monthly Assessment	\$102.70
Remaining Life	7	Interest Contribution	<u>\$1.17</u>
		Reserve Allocation	\$103.88

9 - doors, 3'W x 7'H, solid core, stairwells @	\$487.00 =	\$4,383.00
6 - doors, 3'W x 7'H, solid core, parking area@	487.00 =	2,922.00
2 - doors, 4'W x 8'H, Main Bldg, util, 2 vents@	549.00 =	<u>1,098.00</u>
	Total =	\$8,403.00

Doors, Exterior - Total Current Cost	\$8,403
Assigned Reserves	\$0
Fully Funded Reserves	\$6,050

Sample Reserve Study
ARA-LLC • Detail Report by Category

Irrigation Controller - Replace - 2012

Asset ID	1046	Asset Cost	\$1,780.00
		Percent Replacement	100%
Category	Landscape Equipment	Future Cost	\$2,003.40
Placed in Service	January 2000	Assigned Reserves	\$1,186.66
Useful Life	12		
		Monthly Assessment	\$12.80
Replacement Year	2012	Interest Contribution	<u>\$0.14</u>
Remaining Life	4	Reserve Allocation	\$12.94

The landscape contractor advises that these Irritrol irrigation controllers are in poor condition.

2 - 8 station controllers	@	\$890.00 =	<u>\$1,780.00</u>
		Total =	\$1,780.00

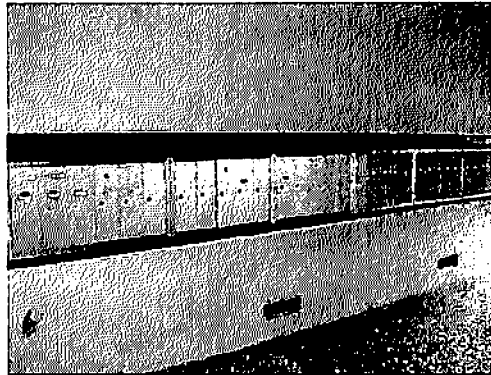
The information used on this asset has been provided with the assistance of the client's maintenance contractor.

Landscape Equipment - Total Current Cost	\$1,780
Assigned Reserves	\$1,187
Fully Funded Reserves	\$1,187

Sample Reserve Study
ARA-LLC • Detail Report by Category

Mailboxes - Wall Clusters, Replace - 2010

Asset ID	1047	35 boxes	@ \$51.00
		Asset Cost	\$1,785.00
		Percent Replacement	100%
Category	Mailboxes	Future Cost	\$1,893.70
Placed in Service	January 1990	Assigned Reserves	\$1,606.50
Useful Life	16		
Adjustment	4	Monthly Assessment	\$8.01
Replacement Year	2010	Interest Contribution	<u>\$0.09</u>
Remaining Life	2	Reserve Allocation	\$8.10



These mailboxes are located in the lobby.

Mailboxes - Total Current Cost	\$1,785
Assigned Reserves	\$1,606
Fully Funded Reserves	\$1,606

**Sample Reserve Study
ARA-LLC • Detail Report by Category**

Detail Report Summary

Total of All Assets

Assigned Reserves	\$101,850.00
Monthly Contribution	\$3,469.61
Monthly Interest	\$183.56
Monthly Allocation	\$3,653.18

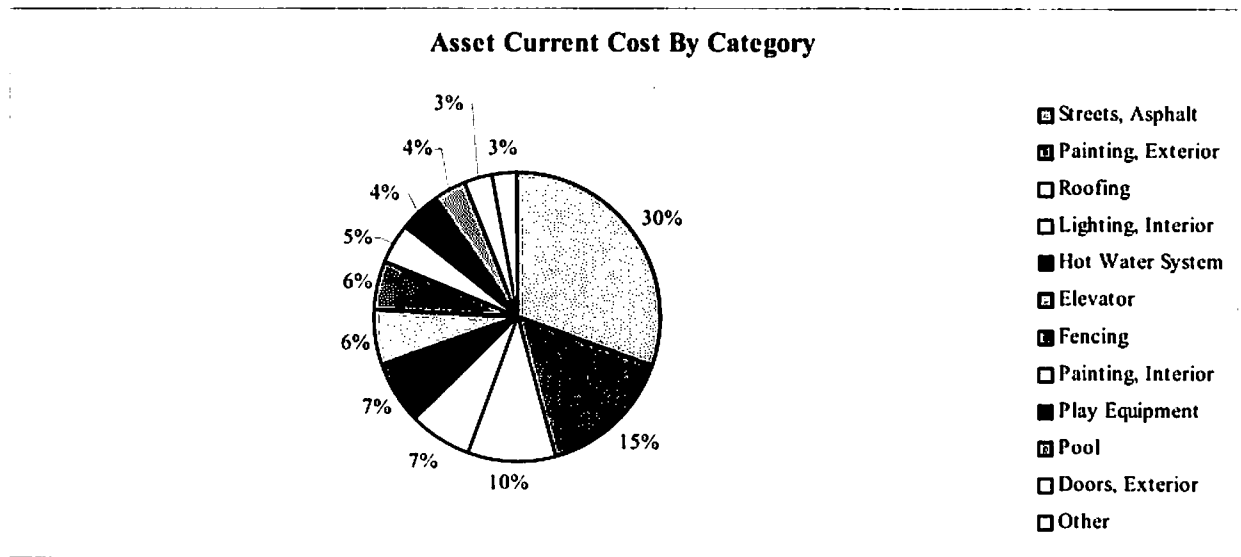
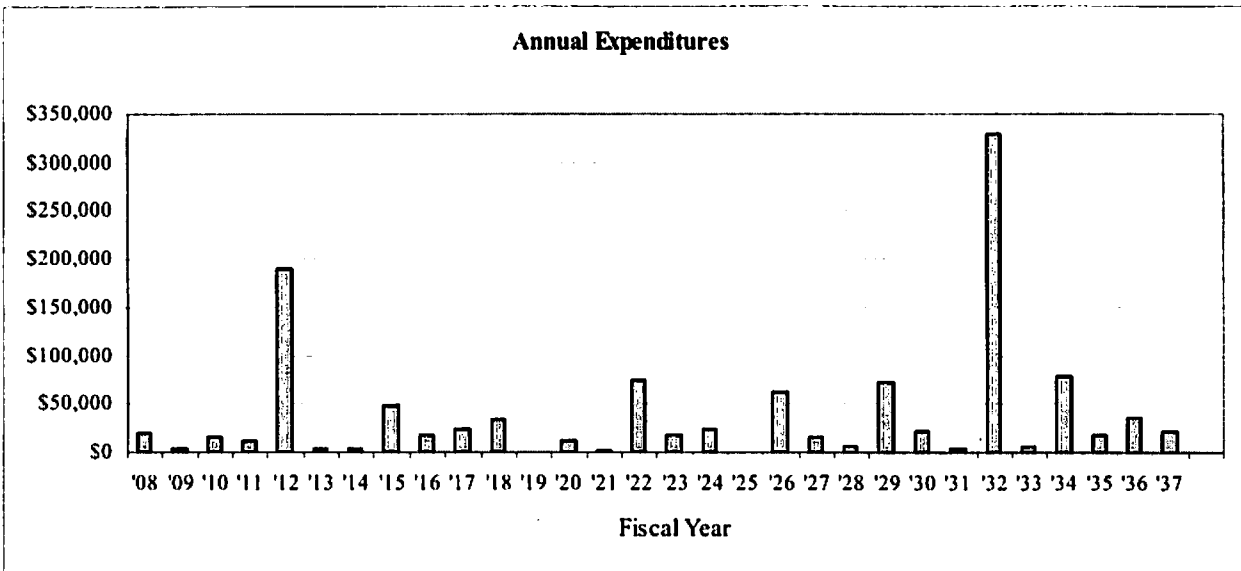
Contingency at 3.00%

Assigned Reserves	\$3,150.00
Monthly Contribution	\$107.30
Monthly Interest	\$5.67
Monthly Allocation	\$112.98

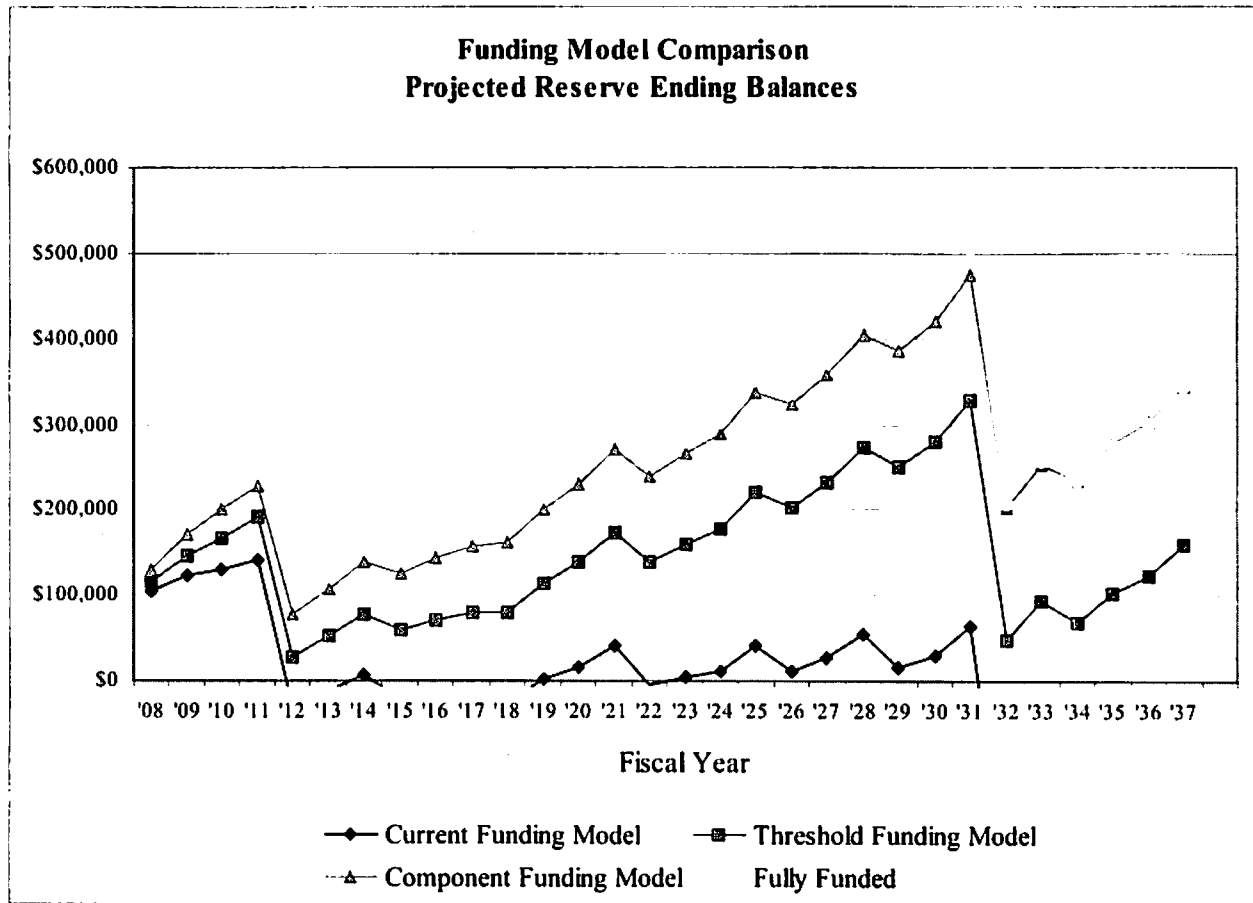
Grand Total

Assigned Reserves	\$105,000.00
Monthly Contribution	\$3,576.92
Monthly Interest	\$189.24
Monthly Allocation	\$3,766.17

Sample Reserve Study **ARA-LLC • Annual Asset Expenditure Charts**

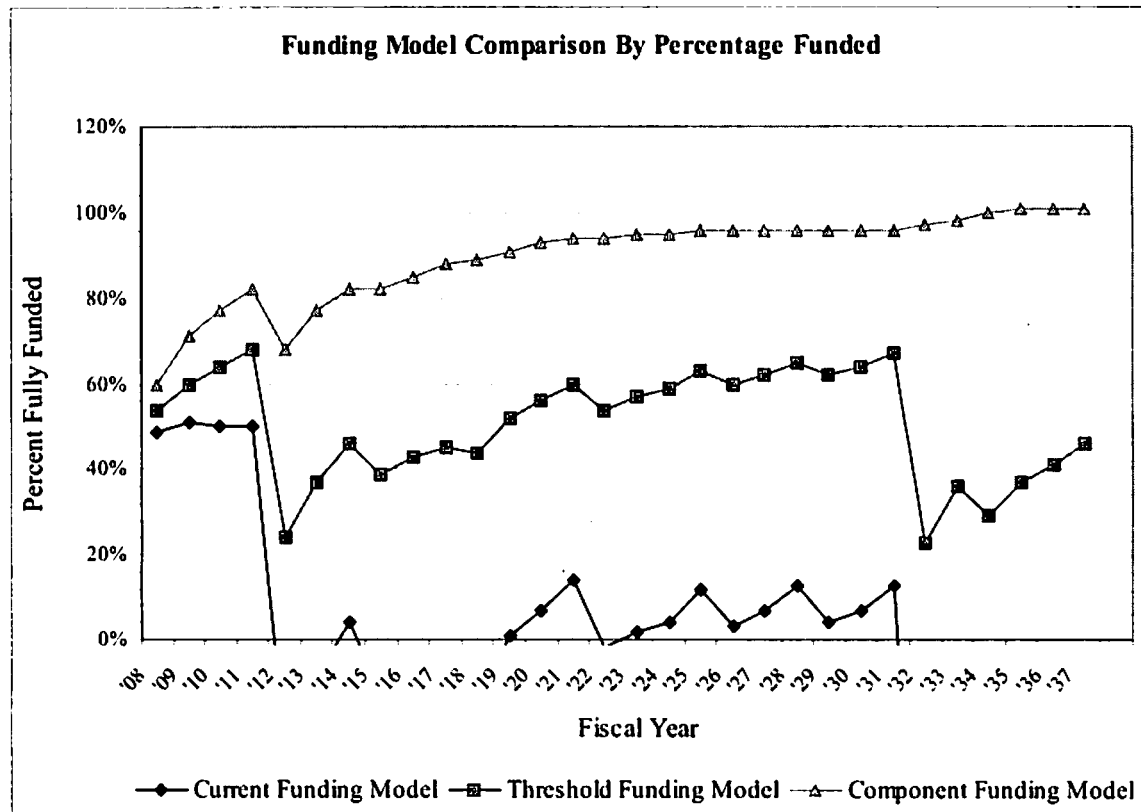


Sample Reserve Study
ARA-LLC • Funding Model Reserve Ending Balance Comparison Chart



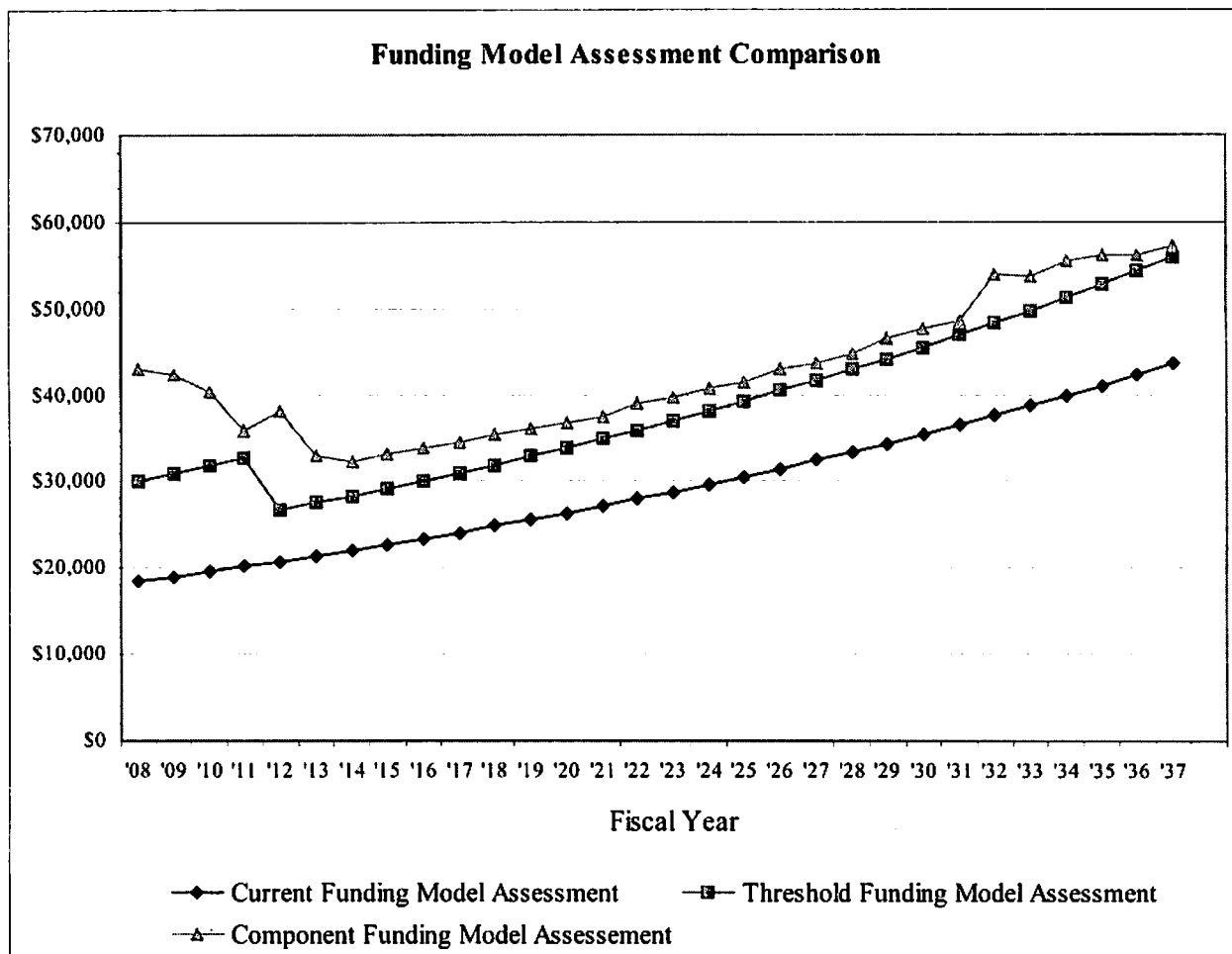
The chart above compares the projected reserve ending balances of the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) over 30 years.

Sample Reserve Study
ARA-LLC • Funding Model Comparison By Percent Funded Chart



The chart above compares the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) by the percentage fully funded over 30 years. This allows your association to view and then choose the funding model that might best fit your community's needs.

Sample Reserve Study
ARA-LLC • Funding Model Annual Assessment Comparison Chart



The chart above compares the annual assessment of the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) over 30 years.

Sample Reserve Study
ARA-LLC • Category Detail Index

Asset ID	Description	Replacement	Page
1039	Boiler - Hot Water System, Replace	2032	2-39
1014	Doors - Exterior, Metal, Replace	2015	2-44
1036	Elevator - Cab Refurbishing	2018	2-41
1037	Elevator - Major Repairs	2012	2-41
1016	Fence - Metal, Pool, Replace	2008	2-27
1027	Floor Cover - Carpet, Halls, Replace	2011	2-38
1004	Gutters & Downspouts - Replace	2012	2-22
1040	Hot Water Storage Tank - Replace	2018	2-39
1046	Irrigation Controller - Replace	2012	2-45
1068	Lighting - Buildings, Replace	2012	2-37
1026	Lighting - Ceiling Recess Rounds, Replace	2020	2-34
1022	Lighting - EXIT/Emergency, Replace	2012	2-34
1020	Lighting - Fluorescent Fixtures, Replace	2020	2-35
1024	Lighting - Wall Sconces, Replace	2012	2-36
1047	Mailboxes - Wall Clusters, Replace	2010	2-46
1011	Paint - Lobby, Atrium, & Halls	2010	2-24
1067	Paint - Metal	2008	2-25
1007	Paint - Stucco	2012	2-25
1066	Paint - Wood Siding	2011	2-26
1064	Play Equipment - Replace	2016	2-32
1063	Pool - Filter, Replace	2014	2-28
1060	Pool - Replaster/Tile Replacement	2012	2-28
1061	Pool Furniture - Replacement	2008	2-29
1062	Pool Heater - Replacement	2014	2-30
1053	Railing - Ext, Wrght Iron, Replace	2012	2-33
1001	Roofs - Built Up w/Gravel, Replace	2015	2-20
1028	Security - Access Phone, Replace	2009	2-43
1030	Security - Gate Operators Sliding, Replace	2012	2-42
1013	Skylights - Roof, Replace	2012	2-23
1069	Streets - Asphalt Overlay	2012	2-17
1058	Streets - Asphalt Repairs	2012	2-18
1059	Streets - Asphalt Seal Coat	2012	2-18
Total Funded Assets		32	
Total Unfunded Assets		<u>0</u>	
Total Assets		32	

LAW OFFICES
TRIANO & BYRNE
25 JESSIE STREET., 16TH FLOOR
SAN FRANCISCO, CA 94105-2749
TELEPHONE (415) 371-8000
FACSIMILE: (415) 371-8001

Exhibit B

Ernest C. Lahti

From: "Rebecca Bloomquist, Marketing Director" <Marketing@ReserveAnalyst.com>
To: "Ernest C. Lahti" <ernest@ARA-LLC.com>
Sent: Monday, December 13, 2004 4:37 PM
Attach: ARA-HELi.doc
Subject: Revised License agreement

I've attached a revised version of our agreement. I have added a #5 in the body of the agreement. This will, or should, keep your office from encountering disruptions in your smooth business operations. You just won't be able to do any beta testing (the entire office that is, there might be the occasional opportunity for you and Dan to hash things out in regards to new features), no more downloads, you will get the newest version of the software as it is released just like everyone else.

I hope that we are to the point of dealing with the land grab for exclusive territory now. I can easily understand the reasoning of not marketing to your direct competitors and the management companies. I do, however, reserve the right to market to individual HOA's with the complete understanding that I will only sell to the HOA exclusively and not to the HOA's management company. I plan to market to the individual HOA all the while suggesting that they contact a reserve professional for guidance - that will be you. This will make more opportunities for ARA, not less - in my humble opinion.

Rebecca

--

Highlands Electronics LLC
Reserve Analyst: *Software for the Reserve Professional*
P.O. Box 797
Vernon, AZ 85940
Phone: 800-561-0173
Fax: 928-537-3377

LAW OFFICES
TRIANO & BYRNE
25 JESSIE STREET., 16TH FLOOR
SAN FRANCISCO, CA 94105-2749
TELEPHONE (415) 371-8000
FACSIMILE: (415) 371-8001

Exhibit C

Reserve Analyst© Professional Licensing Agreement

Licensor: Dan and Rebecca Bloomquist, dba Highlands Electronics LLC and/or Reserve Analyst© software located in Vernon, Arizona.

Licensee: Ernest and Linda Lahti dba Lahti Financial Group and/or Applied Reserve Analysis, LLC located in Clearlake Oaks, California and San Rafael, California.

The licensor agrees to provide the licensee with Reserve Analyst© software for an annual fee of \$2,000.00 (Two Thousand dollars) minimum with a \$10,000 (Ten Thousand dollars) annual maximum fee. This license fee is based upon 5% of gross sales for reserve study preparation services only. ~~Any other fees that Applied Reserve Analysis, LLC collects are not a part of the license agreement.~~ The initial payment of \$2,000.00 (Two Thousand dollars) is due and payable before December 31, 2004. Reporting and additional licensing payments will be made quarterly within 30 days after the last day of March, June, September and December.

Upon Licensor's request and at mutually agreeable times, but no more than once in any calendar year, Licensor or an agent of Licensor shall be provided reasonable access at Licensee's place of business during normal business hours to the sales records of Licensee for the purpose of audit.

For this fee the licensor agrees to the following conditions:

1. The latest version of the reserve software shall be provided to the licensee as it becomes available.
2. Technical software support shall be available to the licensee during normal business hours.
3. Consideration of the licensee's requests for software amendments, additions, or error corrections shall be addressed in a timely manner.
4. The licensee shall not regularly be used for Beta Testing the new software versions unless the versioning is a result of a request of the licensee.
5. Licensee is encouraged to make suggestions for new software features. All suggestions made by Licensee should be explained either by phone conversation or in writing to Licensor. Licensee agrees to provide technical support to Licensor in regards to any new feature suggested. Any or all new suggested features will become available in the next software version release.
6. The licensor shall keep on hand the software version currently being used by the licensee to assist in any trouble shooting events as needed.
7. Whereas the Licensee has ~~spent 12 years and thousands of dollars~~ developed their northern California business, the Licensor agrees not to market software to companies whose primary business is reserve study preparation and common interest development management firms in the following California counties without the written approval of the licensee:

- | | | |
|----------------|-----------------|---------------|
| • Contra Costa | • San Mateo | • Mendocino |
| • Sonoma | • Santa Clara | • Sierra |
| • Napa | • San Francisco | • Nevada |
| • Solano | • Santa Cruz | • Placer |
| • Sacramento | • Monterey | • El Dorado |
| • Marin | • San Benito | • San Joaquin |
| • Alameda | • Butte | |

The Licensee has included in its marketing materials information about the licensor's software product and advocating its use. A copy of this information will be provided to the Licensor within 30 days of this signed agreement. Licensor reserves the right to edit or otherwise reasonably control the content of this information. Therefore, when the licensor is marketing in the licensee's exclusive territory to self managed common interest developments it shall mention the availability of services of the licensee to this potential client. The information provided to self managed common interest developments within the Licensee's exclusive territory will be provided upon interest expressed by the self managed common interest developments for a demo version of the software for review. Licensee will provide an appropriately sized pre-printed information flier to be enclosed with the demo of the software that will describe the services offered by the Licensee when mailed to the self managed common interest developments within their territory.

The licensee agrees to the following:

1. To assist in marketing software to its clients whenever ethically possible.
2. To provide technical support to the licensor.
3. The licensee will continue to market the services of the licensor in its marketing materials.

The term of this agreement is 1 year beginning in January 1, 2005. This agreement may be renewed annually, if both parties agree. If the licensee's business is transferred to another entity this software license will remain in effect until the expiration of the current licensing period. At that time either party may choose to renegotiate.

Termination

Should the Licensee or Licensor commit a material breach of its obligations hereunder, or should any representation of Licensee or Licensor prove to be untrue in any material respect, Licensor or Licensee, at its option, may terminate this agreement on 30 days' written notice to the other party. Such notice shall identify and describe the default upon which termination is based. Licensee or Licensor shall have 30 days to cure such default, which, when effected, shall prevent termination by virtue of such default.

No Assertion of Rights

It is expressly understood and agreed that, as between Licensor and Licensee, all right, title and interest in and to Reserve Analyst® software vests solely and exclusively in the Licensor. Licensee shall neither derive nor assert any title or interest in or to Reserve Analyst® software except as granted under this agreement.

Independent Contractor Status

Licensee is an independent contractor under this agreement and nothing here-in shall be construed to create a partnership, joint venture, or agency relationship between the parties hereto. Licensee shall have no authority to enter into agreements of any kind on behalf of Licensor and shall not have the power or authority to bind or obligate Licensor in any manner to any third party.

Scope of Agreement

The parties hereto affirm that this agreement is the complete and exclusive statement of agreement between them and supersedes all proposals, understandings and communications between the parties relating to the licensing of Reserve Analyst® software. This agreement may be amended only by a subsequent writing that specifically refers to this agreement and is signed by representatives of both parties and no other act, document, usage or custom shall be deemed to amend this agreement.

By installing or using this Highlands Electronics LLC product (the "RESERVE ANALYST SOFTWARE") you indicate your agreement to the terms of this License Agreement. If you do not agree to the terms herein, you are not authorized to copy or use the RESERVE ANALYST SOFTWARE. The RESERVE ANALYST SOFTWARE, including all images, photographs, icons and text incorporated in the RESERVE ANALYST SOFTWARE, is owned by the Highlands Electronics LLC or its suppliers and is protected by United States copyright laws and international treaty provisions. Except to the extent expressly licensed herein, all rights are reserved to the Highlands Electronics LLC and its suppliers. You may not reverse engineer, decompile or disassemble the RESERVE ANALYST SOFTWARE.

ATTENTION: USE OF THE RESERVE ANALYST SOFTWARE IS SUBJECT TO THE TERMS SET FORTH BELOW IN THIS AGREEMENT. USING THE RESERVE ANALYST SOFTWARE INDICATES YOUR ACCEPTANCE OF THESE TERMS. IF YOU DO NOT ACCEPT THESE TERMS YOU ARE NOT AUTHORIZED TO USE THIS RESERVE ANALYST SOFTWARE.

NO WARRANTIES

To the maximum extent permitted by applicable law, the Highlands Electronics LLC expressly disclaims any warranty for the product. The product and any related documentation is provided "as is" without warranty of any kind, either express or implied, including without limitation, the implied warranties of merchantability, fitness for a particular purpose and noninfringement of third party proprietary rights. The entire risk arising out of use or performance of the product remains with you.

NO LIABILITY FOR DAMAGES

To the maximum extent permitted by applicable law, neither the Highlands Electronics LLC nor its suppliers shall be liable for any incidental, special or consequential damages whatsoever (including without limitation, damages for loss of business profit, business interruption, loss of business information, or any other pecuniary loss) arising out of or relating to the use or inability to use this product, even if the Highlands Electronics LLC has been advised of the possibility of such damages. Because some states/jurisdictions do not allow the exclusion or limitation of liability for consequential or incidental damages, the above limitation may not apply to you. Furthermore, the Highlands Electronics LLC's liability for direct damages shall not exceed the license fee, if any, paid by you for use of the product.

Governing Law

All questions concerning the validity, operation, interpretation and construction of this agreement will be governed by and determined in accordance with the laws of the State of Arizona.

In witness whereof, the parties have caused this agreement to be executed by authorized representatives as set forth below:

Dated _____, 2004

Signed: _____ Signed: _____

Signed: _____ Signed: _____

LAW OFFICES
TRIANO & BYRNE
25 JESSIE STREET, 16TH FLOOR
SAN FRANCISCO, CA 94105-2749
TELEPHONE: (415) 371-8000
FACSIMILE: (415) 371-8001

Exhibit D

May 12 08 04:09p

DRT Enterprises LTD

408-720-1132

p.24

ARA/PA contract

Subject: ARA/RA contract**From:** Linda <linda@ara-llc.com>**Date:** Mon, 30 Jan 2006 16:00:33 -0800**To:** dan bloomquist <db@lakoweb.com>**Reserve Analyst® Professional Licensing Agreement**

Licensor: Dan and Rebecca Bloomquist, dba Highlands Electronics LLC and/or Reserve Analyst® software located in Vernon, Arizona.

Licensee: Ernest and Linda Lahti dba Applied Reserve Analysis, LLC located in Clearlake Oaks, California and San Rafael, California.

The licensor agrees to provide the licensee with Reserve Analyst® software for an annual fee of \$2,000.00 (Two Thousand dollars) minimum with a \$10,000 (Ten Thousand dollars) annual maximum fee. This license fee is based upon 5% of gross sales for reserve study preparation services only. Any other fees, not part of the original contract, e.g., extra copies of the report, meetings, depositions, and etc., that Applied Reserve Analysis, LLC collects are not a part of the license agreement fee structure. Reporting and additional licensing payments will be made quarterly within 30 days after the last day of March, June, September and December.

Upon Licensor's request and at mutually agreeable times, but no more than once in any calendar year, Licensor or an agent of Licensor shall be provided reasonable access at Licensee's place of business during normal business hours to the sales records of Licensee for the purpose of audit.

For this fee the licensor agrees to the following conditions:

1. The latest version of the reserve software shall be provided to the licensee as it becomes available, if requested.
2. Technical software support shall be available to the licensee during normal business hours.
3. Consideration of the licensee's requests for software amendments, additions, or error corrections shall be addressed in a timely manner.
4. The licensee shall not be used for Beta Testing of the new software versions. If beta testing becomes necessary, then all fees of the Licensing agreement will be suspended until beta testing is completed.
5. Licensee is encouraged to make suggestions for new software features. All suggestions made by Licensee should be explained either by phone conversation or in writing to Licensor. Licensee agrees to provide technical support to Licensor in regards to any new feature suggested. Any or all new suggested features will become available in the next software version release.
6. The licensor shall keep on hand the software version currently being used by the licensee to assist in any trouble shooting events as needed. If that software version is unavailable, then the licensing fees will not be paid until the software problems are corrected.
7. Whereas the Licensee has developed their northern California business, the Licensor agrees not to market software to anyone in the following California counties without the written approval of the licensee:

- Contra Costa
- Sonoma

May 12 08 04:10p

DRT Enterprises LTD

408-720-1132

p.25

- Napa
- Solano
- Sacramento
- Marin
- Alameda
- San Mateo
- Santa Clara
- San Francisco
- Santa Cruz
- Monterey
- San Benito
- Butte
- Mendocino
- Sierra
- Nevada
- Placer
- El Dorado
- San Joaquin

The Licensee has included in its marketing materials information about the licensor's software product and advocating its use. A copy of this information will be provided to the Licensor within 30 days of this signed agreement. Licensor reserves the right to edit or otherwise reasonably control the content of this information. If the licensor is contacted by anyone in the licensee's territory for service or sale of software, the licensor will communicate to that contact, that this area is a protected territory and the sale of software and services cannot be completed. The information for this client will be presented to the licensor for service. If the Licensee provides services to this entity, then the licensee will provide, an one time finders fee to the licensor in the amount of 10% of the signed contract for services. In addition, if the licensee should sell the licensor software to anyone, the licensee will receive a finders fee of 10% of that software sale, in kind.

The licensee agrees to the following:

1. To assist in marketing software to its clients whenever ethically possible.

The term of this agreement is 1 year beginning in January 1, 2006, ending on December 31, 2006. This agreement may be renewed, if both parties agree. If the licensee's business is transferred to another entity this software license will remain in effect until the expiration of the current licensing period. At that time either party may choose to renegotiate.

Termination

May 12 08 04:10p

DRT Enterprises LTD

408-720-1132

p.26

ARA/RA contract

Should the Licensee or Licensor commit a material breach of its obligations hereunder, or should any representation of Licensee or Licensor prove to be untrue in any material respect, Licensor or Licensee, at its option, may terminate this agreement on 30 days' written notice to the other party. Such notice shall identify and describe the default upon which termination is based. Licensee or Licensor shall have 30 days to cure such default, which, when effected, shall prevent termination by virtue of such default.

No Assertion of Rights

It is expressly understood and agreed that, as between Licensor and Licensee, all right, title and interest in and to Reserve Analyst® software vests solely and exclusively in the Licensor. Licensee shall neither derive nor assert any title or interest in or to Reserve Analyst® software except as granted under this agreement.

Independent Contractor Status

Licensee is an independent contractor under this agreement and nothing here-in shall be construed to create a partnership, joint venture, or agency relationship between the parties hereto. Licensee shall have no authority to enter into agreements of any kind on behalf of Licensor and shall not have the power or authority to bind or obligate Licensor in any manner to any third party.

Scope of Agreement

The parties hereto affirm that this agreement is the complete and exclusive statement of agreement between them and supersedes all proposals, understandings and communications between the parties relating to the licensing of Reserve Analyst® software. This agreement may be amended only by a subsequent writing that specifically refers to this agreement and is signed by representatives of both parties and no other act, document, usage or custom shall be deemed to amend this agreement. By installing or using this Highlands Electronics LLC product (the "RESERVE ANALYST SOFTWARE") you indicate your agreement to the terms of this License Agreement. If you do not agree to the terms herein, you are not authorized to copy or use the RESERVE ANALYST SOFTWARE. The RESERVE ANALYST SOFTWARE, including all images, photographs, icons and text incorporated in the RESERVE ANALYST

SOFTWARE, is owned by the Highlands Electronics LLC or its suppliers and is protected by United States copyright laws and international treaty provisions. Except to the extent expressly licensed herein, all rights are reserved to the Highlands Electronics LLC and its suppliers. You may not reverse engineer, decompile or disassemble the RESERVE ANALYST SOFTWARE. ATTENTION: USE OF THE RESERVE ANALYST SOFTWARE IS SUBJECT TO THE TERMS SET FORTH IN THIS AGREEMENT. USING THE RESERVE ANALYST SOFTWARE INDICATES YOUR ACCEPTANCE OF THESE TERMS. IF YOU DO NOT ACCEPT THESE TERMS YOU ARE NOT AUTHORIZED TO USE THIS RESERVE ANALYST SOFTWARE.

NO WARRANTIES

To the maximum extent permitted by applicable law, the Highlands Electronics LLC expressly disclaims any warranty for the product. The product and any related documentation is provided "as is" without warranty of any kind, either express or implied, including without limitation, the implied warranties of merchantability, fitness for a particular purpose and noninfringement of third party proprietary rights. The entire risk arising out of use or performance of the product remains with you.

NO LIABILITY FOR DAMAGES

To the maximum extent permitted by applicable law, neither the Highlands Electronics LLC nor its suppliers shall be liable for any incidental, special or

May 12 08 04:11p

DRT Enterprises LTD

408-720-1132

p.27

A.A./RA contract

consequential damages whatsoever (including without limitation, damages for loss of business profit, business interruption, loss of business information, or any other pecuniary loss) arising out of or relating to the use or inability to use this product, even if the Highlands Electronics LLC has been advised of the possibility of such damages. Because some states/jurisdictions do not allow the exclusion or limitation of liability for

consequential or incidental damages, the above limitation may not apply to you. Furthermore, the Highlands Electronics LLC's liability for direct damages shall not exceed the license fee, if any, paid by you for use of the product.

Governing Law

All questions concerning the validity, operation, interpretation and construction of this agreement will be governed by and determined in accordance

with the laws of the State of Arizona.

In witness whereof, the parties have caused this agreement to be executed by authorized representatives as set forth below:

Dated January 30, 2006

Signed: _____ Signed: _____

Signed: _____ Signed: _____

LAW OFFICES
TRIANO & BYRNE
25 JESSIE STREET, 16TH FLOOR
SAN FRANCISCO, CA 94105-2749
TELEPHONE (415) 371-8000
FACSIMILE: (415) 371-8001

Exhibit E

HIGHLANDS ELECTRONICS LLC

January 31, 2006

Reserve Analyst

Software for the Reserve Professional



P.O. Box 797
Vernon, AZ 85940

Phone: 800-561-0173
Fax: 928-537-3377

Email:
Marketing@ReserveAnalyst.com
www.ReserveAnalyst.com

Mr. Ernest Lahti
Mrs. Linda Lahti
Applied Reserve Analysis, L.L.C.
Lahti Financial Group
1556 New Long Valley Rd
Clearlake Oaks, CA 95423
Phone: 800-500-8505
Fax: 800-500-7305

RE: Contract Negotiation for Reserve Analyst® Software

Dear Mr. & Mrs. Lahti,

This letter is to inform you that the one (1) year Professional Licensing Agreement of 2005 expired on December 31, 2005. At this time there is no Professional Licensing Agreement in place for your continued use of Reserve Analyst® software.

We will extend the negotiation period for a Professional Licensing Agreement to February 28, 2006. During this period you are required to pay our monthly fee of \$835.00 (Eight Hundred Thirty-Five dollars) to continue using Reserve Analyst® software. The month of January is due and payable immediately and the February fee is due on the last day of February, 2006. The date of a signed and mutually agreed upon Professional Licensing Agreement will begin a new Professional Licensing Agreement term.

In the event that there is no signed Professional Licensing Agreement on or before February 28, 2006 you will no longer be licensed to use Reserve Analyst® software. You will be required to stop using Reserve Analyst® software immediately and deliver to Highlands Electronics LLC or destroy all copies of Reserve Analyst® software and furnish to Highlands Electronics LLC a certification by an owner/member of Applied Reserve Analysis, L.L.C. or Lahti Financial Group verifying that such delivery or destruction has been completed.

Use of Reserve Analyst® software after February 28, 2006, with no signed Professional Licensing Agreement, will bring appropriate legal action to protect our copyright and other legal rights.

Best Regards,

Rebecca Bloomquist
Highlands Electronics LLC
Marketing Director

cc: Timothy B. Shaffery, Attorney At Law
cc: Rebecca Jannell Owens, Council

Ernest C. Lahti

From: "Rebecca Bloomquist, Marketing Director" <Marketing@ReserveAnalyst.com>
To: "Don Thomas" <DRTENTLTD@aol.com>; "Ernest C. Lahti" <ernest@ARA-LLC.com>; "Linda" <linda@ara-llc.com>; "Dan Bloomquist" <db@lakeweb.com>
Sent: Tuesday, February 28, 2006 11:14 AM
Attach: Pro-LicA.pdf, ARA-LLC-.pdf
Subject: Final contract for signature

Dear Don, Ernest, Linda and Dan,

I have made the final revisions to the Professional Licensing Agreement as described in e-mail from Don Thomas "Date: Mon, 27 Feb 2006 23:56:44 EST". The PDF file is attached for review and signature. Please, print two copies, sign, and return both. In turn, Highlands Electronics, LLC will sign both copies and return one to Applied Reserve Analysis, L.L.C. for their files.

I have also attached an invoice for payment to use the software for the months of January and February as well as the initial payment of \$2,000.00 (two thousand dollars) for the new Professional Licensing Agreement term.

Best Regards,
Rebecca Bloomquist

--

Highlands Electronics LLC
Reserve Analyst: *Software for the Reserve Professional*
P.O. Box 797
Vernon, AZ 85940
Phone: 800-561-0173
Fax: 928-537-3377

Reserve Analyst© Professional Licensing Agreement

5 Year Automatic Renew

This agreement is between:

Licensor: Dan and Rebecca Bloomquist, dba Highlands Electronics LLC, a limited liability corporation, and/or Reserve Analyst© software located at #75 County Road 3151, Vernon, Arizona 85940, hereafter referred to as Licensor; and

Licensee: Ernest and Linda Lahti dba Lahti Financial Group and/or Applied Reserve Analysis, LLC located at 1556 New Long Valley Road, Clearlake Oaks, California 95423 and 4040 Civic Center Drive, Suite 200 San Rafael, California 94903, hereafter referred to as Licensee

License Fee(s): Minimum fee: \$2,000.00 (two thousand dollars) annually

Maximum fee: \$10,000 (ten thousand dollars) in the first year of this agreement, and increased in each successive year by the CPI published by the Federal Reserve in the previous year, hereafter referred to as License Fee.

This License Fee is based upon 5% of gross sales of Licensee for reserve study preparation services only. Any other fees collected by Licensee, not part of the original contract, e.g., extra copies of the report, meetings, depositions, etc., are not a part of the Licensing Agreement fee structure (License Fee). The initial payment of \$2,000.00 (Two Thousand dollars) is due and payable prior to each licensing year.

In order to continue to retain an 'Exclusive Rights Territory', as outlined in (6.) below, Licensee is required to annually pay the Maximum License Fee. Failure to remit the annual Maximum License Fee each year of this licensing agreement will cause the 'Exclusive Rights Territory', as outlined in (6.) below, to become null and void for the duration of this Licensing Agreement. Reporting and additional licensing payments will be made quarterly within 30 days after the last day of May, August, November and February. At the discretion of the Licensee, payments can be made monthly or the Maximum Licensee fee may be paid as a lump sum.

Upon Licensor's request, and at mutually agreeable times, but no more than once in any calendar year, Licensor, or an agent of Licensor, shall be provided reasonable access at Licensee's place of business, during normal business hours, to the sales records of Licensee for the purpose of audit.

The License Fee entitles and obligates the Licensor to the following:

1. The latest version of reserve software shall be provided to Licensee as it becomes available.
2. Technical software support shall be available to Licensee during normal business hours.
3. Licensee shall not be used for Beta Testing new software versions.
4. The Licensor shall keep the source code for the currently released version of the software on hand so as to remedy any technical problems in a timely manner for that release.
5. In the event Licensor discovers a technical problem with the current software release, the Licensee will be notified within 5 business days and resolution will be made as stated in article (4.) above.
6. Whereas the Licensee has developed their northern California business, the Licensor agrees not to direct market software to the following California counties without the written approval of the Licensee, Hereafter referred to as "Exclusive Rights Territory":

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Contra Costa • Sonoma • Napa • Solano • Sacramento • Marin • Alameda | <ul style="list-style-type: none"> • San Mateo • Santa Clara • San Francisco • Santa Cruz • Monterey • San Benito • Butte | <ul style="list-style-type: none"> • Mendocino • Sierra • Nevada • Placer • El Dorado • San Joaquin |
|--|--|---|

Definitions: For the purpose of this License Agreement the following terms will be defined.

Direct Market: Advertising circulars or other printed matter sent directly through the mail to prospective customers or contributors. Direct marketing is a form of marketing that attempts to send its messages directly to consumers, using "addressable" media, such as mail. Therefore, direct marketing differs from regular advertising in that it does not place its messages on a third party medium, or in the agora, such as a billboard or a radio commercial would. Instead, the marketing of the service or commodity is addressed directly to the end consumer.

Self-Managed: Refers to any Homeowners' Association, Community Association or other Common Interest Development that is managed solely by an elected, or otherwise appointed, usually volunteer, Board of Directors.

The Licensor retains the right to sell the Single User Version of the software to self-managed common interest developments within Licensee's Exclusive Rights Territory when inquiry is made via the internet, written mail, facsimile or telephone by any self-managed common interest developments.

Authorized Users

For this License Agreement "Authorized Users" are: Full and part time employees of Licensee, whose primary work station/location is located at 1556 New Long Valley Road, Clearlake Oaks, California 95423 and/or 4040 Civic Center Drive, Suite 200 San Rafael, California 94903. Use of Reserve Analyst© software on portable lap top computers by Authorized Users is a permitted use. If the Licensee's business is transferred to another entity while this License Agreement is in force the primary work station/location may be updated, in writing, from the new entity.

Limitations on who may use Reserve Analyst© software

Licensee shall not knowingly permit anyone other than Authorized Users to use Reserve Analyst© software. Any full and part time employees of Licensee whose primary work station/location is not located at 1556 New Long Valley Road, Clearlake Oaks, California 95423 and/or 4040 Civic Center Drive, Suite 200 San Rafael, California 94903 are not Authorized Users. Licensee is required to inform Licensor of any known infractions of the use of Licensor's software within the "Exclusive Rights Territory" in a timely manner either by writing, including electronic, or telephone. The Licensor will take action in order to protect and defend copyright of the software for Licensor and authorized users. The Licensee may join Licensor in such actions at their discretion.

Term

Unless terminated as set forth herein, this License Agreement will commence on February 28th, 2006, the "Effective Date", and will continue for 5 years, referred to as "Initial Term". Thereafter, this License Agreement will automatically renew on the Effective Date anniversary for additional five (5) year periods unless either Party gives notice of its intent not to renew, at least sixty (60) days prior to the expiration of the Initial Term, or any five (5) year renewal thereof. The Initial Term and any renewals will collectively be referred to as "Term". If the Licensee's business is transferred to another entity this software License Agreement will remain in effect until the expiration of the current Term.

Termination

Either Party may terminate this License Agreement with a sixty (60) day prior written notice after the second (2nd) year of this License Agreement. If either Party defaults in the performance of any material provision of this License Agreement, then the non-defaulting Party may terminate the License Agreement upon thirty (30) days' written notice if the default is not cured during such thirty (30) day period. This License Agreement may be terminated by one Party immediately at any time, without notice, upon (i) the institution by or against the other Party of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of such Party's debts, (ii) such other Party making a general assignment for the benefit of creditors, or (iii) such other Party's dissolution.

Effect of Termination

The license granted in this License Agreement will immediately terminate upon the effective date of the termination or expiration. Within thirty (30) calendar days after termination or expiration of this License Agreement, Licensee will deliver to Licensor or destroy all copies of the Reserve Analyst© software and furnish to Licensor a certification signed by an officer of Licensee verifying that such delivery or destruction has been fully effected.

No Assertion of Rights

It is expressly understood and agreed that, as between Licensor and Licensee, all right, title and interest in and to Reserve Analyst© software vests solely and exclusively in the Licensor. Licensee shall neither derive nor assert any title or interest in or to Reserve Analyst© software except as granted under this Licensing Agreement.

Independent Contractor Status

Licensee is an independent contractor under this agreement and nothing here-in shall be construed to create a partnership, joint venture, or agency relationship between the parties hereto. Licensee shall have no authority to enter into agreements of any kind on behalf of Licensor and shall not have the power or authority to bind or obligate Licensor in any manner to any third party.

Scope of Agreement

The parties hereto affirm that this Licensing Agreement is the complete and exclusive statement of agreement between them and supersedes all proposals, understandings and communications between the parties relating to the licensing of Reserve Analyst© software. This Licensing Agreement may be amended only by a subsequent writing that specifically refers to this agreement and is signed by representatives of both parties and no other act, document, usage or custom shall be deemed to amend this Licensing Agreement.

By installing or using this Highlands Electronics LLC product (the "RESERVE ANALYST SOFTWARE") you indicate your agreement to the terms of this Licensing Agreement. If you do not agree to the terms herein, you are not authorized to copy or use the RESERVE ANALYST SOFTWARE. The RESERVE ANALYST SOFTWARE, including all images, photographs, icons and text incorporated in the

RESERVE ANALYST SOFTWARE, is owned by the Highlands Electronics LLC or its suppliers and is protected by United States copyright laws and international treaty provisions. Except to the extent expressly licensed herein, all rights are reserved to the Highlands Electronics LLC and its suppliers. You may not reverse engineer, decompile or disassemble the RESERVE ANALYST SOFTWARE.

ATTENTION: USE OF THE RESERVE ANALYST SOFTWARE IS SUBJECT TO THE TERMS SET FORTH IN THIS LICENSING AGREEMENT. USING THE RESERVE ANALYST SOFTWARE INDICATES YOUR ACCEPTANCE OF THESE TERMS. IF YOU DO NOT ACCEPT THESE TERMS YOU ARE NOT AUTHORIZED TO USE THIS RESERVE ANALYST SOFTWARE.

NO WARRANTIES

To the maximum extent permitted by applicable law, the Highlands Electronics LLC expressly disclaims any warranty for Reserve Analyst software. Reserve Analyst software and any related documentation is provided "as is" without warranty of any kind, either express or implied, including without limitation, the implied warranties of merchantability, fitness for a particular purpose and noninfringement of third party proprietary rights. The entire risk arising out of use or performance of Reserve Analyst software remains with you.

NO LIABILITY FOR DAMAGES

To the maximum extent permitted by applicable law, neither the Highlands Electronics LLC nor its suppliers shall be liable for any incidental, special or consequential damages whatsoever (including without limitation, damages for loss of business profit, business interruption, loss of business information, or any other pecuniary loss) arising out of or relating to the use or inability to use Reserve Analyst software, even if the Highlands Electronics LLC has been advised of the possibility of such damages. Because some states/jurisdictions do not allow the exclusion or limitation of liability for consequential or incidental damages, the above limitation may not apply to you. Furthermore, the Highlands Electronics LLC's liability for direct damages shall not exceed the license fee, if any, paid by you for use of Reserve Analyst software.

Governing Law

All questions concerning the validity, operation, interpretation and construction of this Licensing Agreement will be governed by and determined in accordance with the laws of the State of Arizona in Apache County, city of St. Johns. No claim relating to this License Agreement shall be made by either party more than one year after the cause of action arose.

In witness whereof, the parties have caused this agreement to be executed by authorized representatives as set forth below:

Dated _____, 20____

Signed: _____ Signed: _____

Signed: _____ Signed: _____

LAW OFFICES
TRIANO & BYRNE
25 JESSIE STREET, 16TH FLOOR
SAN FRANCISCO, CA 94105-2749
TELEPHONE: (415) 371-8000
FACSIMILE: (415) 371-8001

Exhibit F

Reserve Analyst© Professional Licensing Agreement

5 Year Automatic Renew

This agreement is between:

Licensor: Dan and Rebecca Bloomquist, dba Highlands Electronics LLC, a limited liability corporation, and/or Reserve Analyst© software located at #75 County Road 3151, Vernon, Arizona 85940, hereafter referred to as Licensor; and

Licensee: Ernest and Linda Lahti dba Lahti Financial Group and/or Applied Reserve Analysis, LLC located at 1556 New Long Valley Road, Clearlake Oaks, California 95423 and 4040 Civic Center Drive, Suite 200 San Rafael, California 94903, hereafter referred to as Licensee

License Fee(s): Minimum fee: \$2,000.00 (two thousand dollars) annually

Maximum fee: \$10,000 (ten thousand dollars) in the first year of this agreement, and increased in each successive year by the CPI published by the Federal Reserve in the previous year, hereafter referred to as License Fee.

This License Fee is based upon 5% of gross sales of Licensee for reserve study preparation services only. Any other fees collected by Licensee, not part of the original contract, e.g., extra copies of the report, meetings, depositions, etc., are not a part of the Licensing Agreement fee structure (License Fee). The initial payment of \$2,000.00 (Two Thousand dollars) is due and payable prior to each licensing year.

In order to continue to retain an 'Exclusive Rights Territory', as outlined in (6.) below, Licensee is required to annually pay the Maximum License Fee. Failure to remit the annual Maximum License Fee each year of this licensing agreement will cause the 'Exclusive Rights Territory', as outlined in (6.) below, to become null and void for the duration of this Licensing Agreement. Reporting and additional licensing payments will be made quarterly within 30 days after the last day of May, August, November and February. At the discretion of the Licensee, payments can be made monthly or the Maximum License fee may be paid as a lump sum.

Upon Licensor's request, and at mutually agreeable times, but no more than once in any calendar year, Licensor, or an agent of Licensor, shall be provided reasonable access at Licensee's place of business, during normal business hours, to the sales records of Licensee for the purpose of audit.

The License Fee entitles and obligates the Licensor to the following:

1. The latest version of reserve software shall be provided to Licensee as it becomes available.
2. Technical software support shall be available to Licensee during normal business hours.
3. Licensee shall not be used for Beta Testing new software versions.
4. The Licensor shall keep the source code for the currently released version of the software on hand so as to remedy any technical problems in a timely manner for that release.
5. In the event Licensor discovers a technical problem with the current software release, the Licensee will be notified within 5 business days and resolution will be made as stated in article (4.) above.
6. Whereas the Licensee has developed their northern California business, the Licensor agrees not to direct market software to the following California counties without the written approval of the Licensee, Hereafter referred to as "Exclusive Rights Territory":

- Contra Costa
- Sonoma
- Napa
- Solano
- Sacramento
- Marin
- Alameda

- San Mateo
- Santa Clara
- San Francisco
- Santa Cruz
- Monterey
- San Benito
- Butte

- Mendocino
- Sierra
- Nevada
- Placer
- El Dorado
- San Joaquin

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Rebecca Bloomquist

Ernest Lahti 3/15/08

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No Assertion of Rights

It is expressly understood and agreed that, as between Licensor and Licensee, all right, title and interest in and to Reserve Analyst® software vests solely and exclusively in the Licensor. Licensee shall neither derive nor assert any title or interest in or to Reserve Analyst® software except as granted under this Licensing Agreement.

Independent Contractor Status

Licensee is an independent contractor under this agreement and nothing here-in shall be construed to create a partnership, joint venture, or agency relationship between the parties hereto. Licensee shall have no authority to enter into agreements of any kind on behalf of Licensor and shall not have the power or authority to bind or obligate Licensor in any manner to any third party.

Scope of Agreement

The parties hereto affirm that this Licensing Agreement is the complete and exclusive statement of agreement between them and supersedes all proposals, understandings and communications between the parties relating to the licensing of Reserve Analyst® software. This Licensing Agreement may be amended only by a subsequent writing that specifically refers to this agreement and is signed by representatives of both parties and no other act, document, usage or custom shall be deemed to amend this Licensing Agreement.

By installing or using this Highlands Electronics LLC product (the "RESERVE ANALYST SOFTWARE") you indicate your agreement to the terms of this Licensing Agreement. If you do not agree to the terms herein, you are not authorized to copy or use the RESERVE ANALYST SOFTWARE. The RESERVE ANALYST SOFTWARE, including all images, photographs, icons and text incorporated in the

[Handwritten Signature] *[Handwritten Signature]* 3/15/06

RESERVE ANALYST SOFTWARE, is owned by the Highlands Electronics LLC or its suppliers and is protected by United States copyright laws and international treaty provisions. Except to the extent expressly licensed herein, all rights are reserved to the Highlands Electronics LLC and its suppliers. You may not reverse engineer, decompile or disassemble the RESERVE ANALYST SOFTWARE.

ATTENTION: USE OF THE RESERVE ANALYST SOFTWARE IS SUBJECT TO THE TERMS SET FORTH IN THIS LICENSING AGREEMENT. USING THE RESERVE ANALYST SOFTWARE INDICATES YOUR ACCEPTANCE OF THESE TERMS. IF YOU DO NOT ACCEPT THESE TERMS YOU ARE NOT AUTHORIZED TO USE THIS RESERVE ANALYST SOFTWARE.

NO WARRANTIES

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NO LIABILITY FOR DAMAGES

To the maximum extent permitted by applicable law, neither the Highlands Electronics LLC nor its suppliers shall be liable for any incidental, special or consequential damages whatsoever (including without limitation, damages for loss of business profit, business interruption, loss of business information, or any other pecuniary loss) arising out of or relating to the use or inability to use Reserve Analyst software, even if the Highlands Electronics LLC has been advised of the possibility of such damages. Because some states/jurisdictions do not allow the exclusion or limitation of liability for consequential or incidental damages, the above limitation may not apply to you. Furthermore, the Highlands Electronics LLC's liability for direct damages shall not exceed the license fee, if any, paid by you for use of Reserve Analyst software.

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In witness whereof, the parties have caused this agreement to be executed by authorized representatives as set forth below:

Dated: 3/8/2006

Signed: [Signature]

Signed: [Signature]

Signed: [Signature]

Signed: [Signature]

MARK D. BYRNE, ESQ. SBN#109268
LAW OFFICES OF TRIANO & BYRNE
25 Jessie Street, 16th Floor
San Francisco, CA 94105-2749
Telephone: (415) 371-8000
Facsimile: (415) 371-8001
mailbox@trianobyrne.com

Attorney for Plaintiffs Ernest Lahti, Linda Lahti and Applied Reserve Analysis, LLC

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

ERNEST LAHTI, LINDA)
LAHTI AND APPLIED)
RESERVE ANALYSIS, LLC, a)
California corporation,)

Plaintiffs,)

v.)

DAN BLOOMQUIST,)
REBECCA BLOOMQUIST,)
HIGHLANDS ELECTRONICS)
LLC, an Arizona corporation, and)
DOES 1 through 50 inclusive,)

Defendants.)

Case No: C08-2314 BZ

CERTIFICATE OF SERVICE

1 I declare:

2 I am employed in the County of San Francisco, State of California. My business address is 25
3 Jessie Street, 16th Floor, San Francisco, CA 94105. I am over the age of eighteen years, and I am
4 not a party to the within action. On May 14, 2008 I served the following documents:

- 5 • ***DECLARATION OF LINDA LAHTI IN SUPPORT OF TEMPORARY***
- 6 ***RESTRAINING ORDER AND ORDER TO SHOW CAUSE FOR***
- 7 ***PRELIMINARY INJUNCTION;***
- 8 • ***DECLARATION OF ERNEST LAHTI IN SUPPORT OF TEMPORARY***
- 9 ***RESTRAINING ORDER AND ORDER TO SHOW CAUSE FOR***
- 10 ***PRELIMINARY INJUNCTION; AND***
- 11 • ***CERTIFICATE OF SERVICE.***

12 Upon the party listed below, addressed as follows:

13 **Rebecca Bloomquist**
14 **P.O. Box 797**
15 **Vernon, Arizona 85940**
16 **Rebecca@lakeweb.com**

Dan Bloomquist
P.O. Box 797
Vernon, Arizona 85940
Dan_b@lakeweb.com

17 **Highlands Electronics**
18 **P.O. Box 797**
19 **Vernon, Arizona 85940**
20 **Rebecca@lakeweb.com**

21 **XXX First Class Mail:** By depositing a sealed envelope in the United States mail at San
22 Francisco, California, with postage fully prepaid.

23 **Facsimile:** By transmitted a true and correct copy via facsimile electronic equipment
24 transmission (fax) to the office(s) of the addressee(s) at the fax number(s) listed above.

25 **Personal Delivery:** By personally delivering the document(s) listed above to the
26 person(s) at the address(es) on the date set forth above.

27 **XXX Electronic Mail:** By transmitted a true and correct copy via electronic mail to the
28 office(s) of the addressee(s) at the electronic mail address(es) listed above.

I declare under penalty of perjury under the laws of the State of California that the
foregoing is true and correct. Executed on May 14, 2008 at San Francisco, California.

By: /s/ Rithy Keo
Rithy Keo
Legal Assistant

CERTIFICATE OF SERVICE